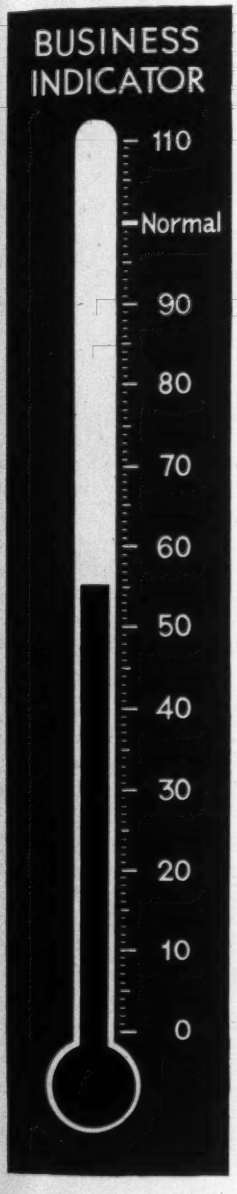
JUN 2 , 1932

JUNE 29, 1932

# THE BUSINESS WEEK:




The most and the worst that can be said of the situation as summer sets in is that business and security markets are marking time till something happens, at Lausanne, Geneva, Washington, Chicago, London, Berlin, Ottawa, or what have you . . . . This policy of wishful waiting for someone to say when and what, while timid statesmen and panicky politicians try to produce the rabbit of business recovery from the silk hats of incessant conferences and convention platforms is conducive to fallen arches and weak knees in our economic system . . . . Some of the smaller concerns are getting some exercise sawing wood and walking away with what business there is, but they do not stir up much movement in the sodden statistics . . . . Steel, coal, construction, textiles are sagging into extreme summer slackness but automobile production is approaching its high point, and merchandise carloadings and electric power output show signs of improvement. Activity in some lines was temporarily stimulated by anticipation of the new excise taxes, but retail trade has contracted with consumer purchasing power . . . . Security markets are dull but fairly steady in face of disappointing business news and the passing procession of dividends. Commodities are a bit firmer . . . . The bank figures reflect chiefly federal fiscal operations and passing fears of gold outflow, but there are still no sure signs of credit expansion, and no effective means has as yet been found of administering a monetary tonic to the patient prostrate world-disease.

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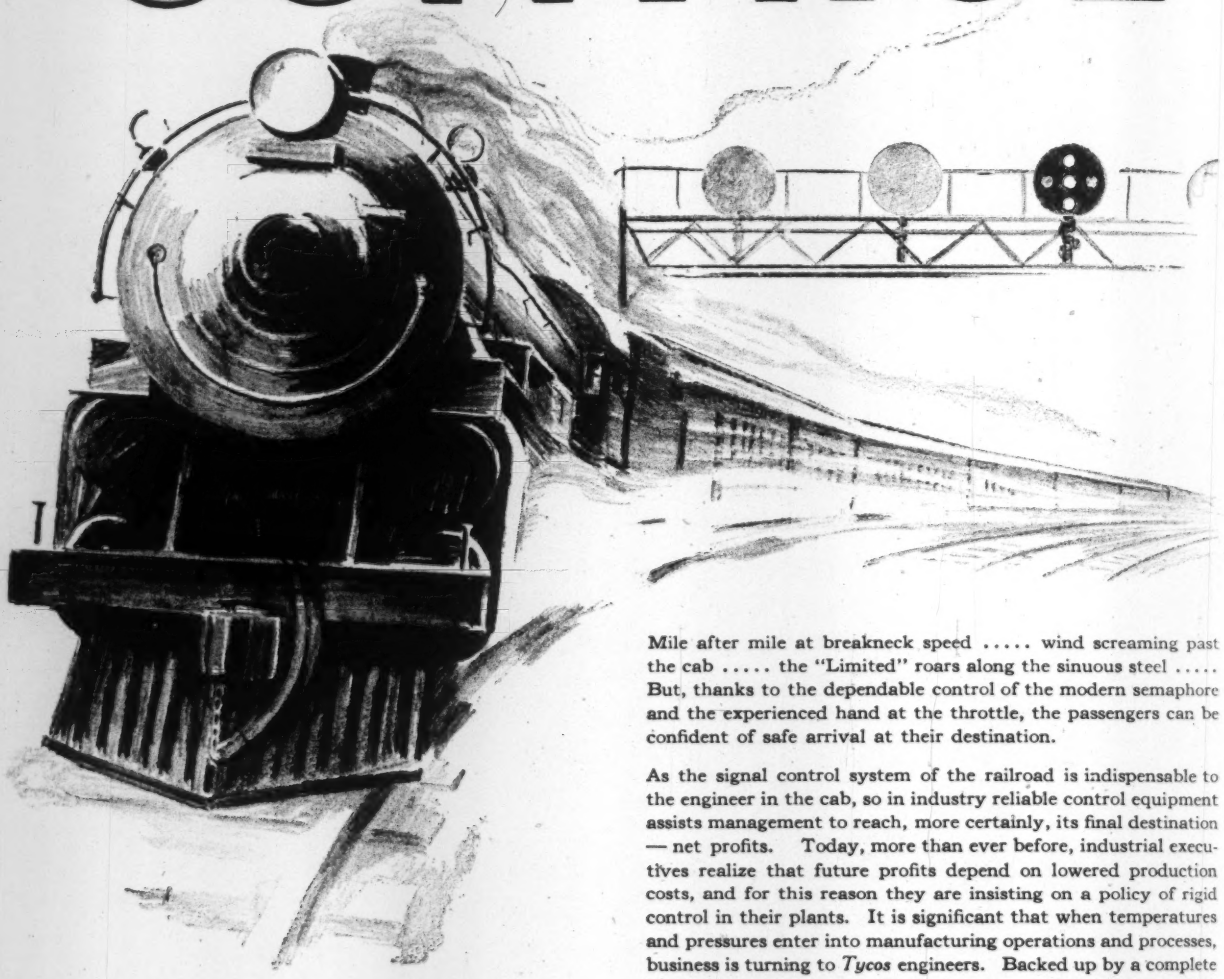
# CONTROL



Mile after mile at breakneck speed ..... wind screaming past the cab ..... the "Limited" roars along the sinuous steel ..... But, thanks to the dependable control of the modern semaphore and the experienced hand at the throttle, the passengers can be confident of safe arrival at their destination.

As the signal control system of the railroad is indispensable to the engineer in the cab, so in industry reliable control equipment assists management to reach, more certainly, its final destination — net profits. Today, more than ever before, industrial executives realize that future profits depend on lowered production costs, and for this reason they are insisting on a policy of rigid control in their plants. It is significant that when temperatures and pressures enter into manufacturing operations and processes, business is turning to *Tycos* engineers. Backed up by a complete line of instruments for indicating, recording and controlling temperatures and pressures, their recommendations lead to greater savings.

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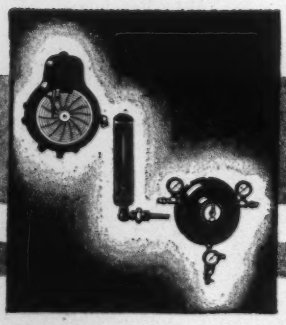

TEMPERATURE INSTRUMENTS—

INDICATING RECORDING CONTROLLING

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# This Business Week:

## Taxes

A long list of new taxes went into effect June 21; they bring up a longer list of problems—how to collect them, where to charge them, and often, alas, how to evade them. *(p. 3)*

In at least one industry, tires, the new taxes have stopped a long line of price cuts. All but one manufacturer have raised prices; he and the mail order houses will fight it out at present levels the rest of the summer. *(p. 4)*

## Gold

The run on the bank that reduced our gold stocks $1 billion is over; the Frenchman has taken his money and gone home and the bank is still open and ready to pay on demand. Improvement in the dollar is already noticeable. *(p. 5)*

## Wages

Protected by savings, aided by lower prices, consumer buying has withstood remarkably well the effects of depression. But savings have worn thin, and not even the lowest prices can revive purchasing power at last undermined by cumulative wage cuts and unemployment. *(p. 6)*

New York's building strike has been settled; both sides broke ranks; future negotiations will likely be between individual unions and employer groups. *(p. 6)* City transit wages at last are cut. *(p. 6)* Muskegon's spread-work program has been successful. *(p. 6)*

## Sugar

After declining steadily for 10 years, sugar prices have suddenly reversed their trend. Curtailment gets the credit. Immediate cause is seasonal influence of soft drinks and canning. *(p. 7)*

## Marketing

What we save, what it means, is interpreted in the chapters of The American Consumer Market appearing this week and next in *The Business Week*. *(p. 14)*

A new wool fabric for shirts gives the haberdashers something more expensive and exclusive to sell. *(p. 8)* Weighting silk, this time with lead, starts a dispute. *(p. 8)* Frosted foods are being quick-frozen in the field this year. *(p. 9)* More New York stores go out after suburban trade. *(p. 10)* Only the cheap electric clocks are selling. *(p. 7)*

## Platform

The economic depression is the one great matter before the country, says the Republican party, and many of its planks concern themselves directly with business questions. *(p. 12)*

## Transport

That plan to relieve the railroads with R.F.C. money for the purchase of their own securities gains more support; bankers like it. Another relief possibility is car pooling. *(p. 11)*

The roads resent the suggestion of the I.C.C. that the 6-hour day be tested out in actual operation. *(p. 11)* The Pennsylvania's going store-door makes the Railway Express plan that much stronger. *(p. 12)*

## Utilities

The comparative strength of operating units emphasizes the essential weakness of the holding company set-up. *(p. 13)*

Improvements in manufacturing gas which lower the cost and wider distribution of cheap natural gas are gaining increasing importance for gas as an industrial fuel. *(p. 9)*

## Foreign

Britain's great family reunion in Ottawa is bound to bring good results —a more cooperative spirit, concrete agreements, more systematic planning. But this one conference cannot make the Empire one integrated economic unit; the difficulties are too many, and too fundamental. *(p. 18)*

Meanwhile Ford of Canada and Ford of England have made their own little private Empire trade agreement on production and markets. *(p. 19)*

And Canada foregoes, until after the big family conference, renewing a most-favored-nation agreement with France. *(p. 19)*

Britain's experiment with a higher duty on raw steel than on finished products is an effort to force its steel industry to stop wasteful competition and obsolete methods. *(p. 17)*

Batá swaps shoes for oranges and honey; an English firm trades coal for timber; world-wide restrictions on foreign exchange have sent the world back to barter. *(p. 20)*

Foreign business still hesitates pending the outcome of negotiations at Lausanne. European cables see France stubborn on reparations, Germany headed for bankruptcy, Britain treading water. Japan is still swelling in the Orient; China is picking up its pieces. *(Survey, p. 24)*

## Figures

Excepting only automobile production, the basic production indicators have started down on their midsummer slump. Steel operations have slowed, coal went to new lows. Construction failed to live up to expectations. Carloadings and power production improved, perhaps because of tax anticipation. Commodity prices are somewhat firmer. *(p. 28)*

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***In this issue:***

# "What We Save," Part 10 of The American Consumer Market

# Saved....

# $13,993

ACHATTANOOGA, Tennessee, packer and ice manufacturer checked up on the compressor drives in his two plants . . . and found them wanting! He replaced these obsolete compressor drives with four 125-hp. synchronous motors. The result: savings of $9740 in one plant; $4253 in the other—over the previous year's cost. General Electric equipment was used throughout. The savings paid for the electrical equipment within a year.

Saving money by replacing obsolete drives, is, after all, only one kind of economy. Modernization has a common interest regardless of the field; its potential profit value is present in every industry.

Electric modernization has solved many a problem of profits. The facilities of General Electric are at your disposal, to help you plan and execute. General Electric Company, Schenectady, N. Y.

***When you operate obsolete equipment, you pay for modernization without getting it. Do you give thoughtful hearings to modernization plans?***

200-612

GENERAL ELECTRIC

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending June 25, 1932


# New Taxes in Effect June 21 Throw Business Into Confusion

## Defects, odd loopholes, weird puzzles develop as soon as collection is undertaken

A LONG list of taxes, many properly described as "nuisances," became effective June 21 in an atmosphere of considerable confusion. The few days before the effective date brought a rush of buying in various lines by dealers and even ultimate consumers, stocking up to avoid the levies.

Banks in general have not announced how they will proceed to collect the 2-cent tax on each check. It is probable the tax will be charged to the customer's account at the end of each month. Legal opinion has been offered that banks will not be liable for the tax in case funds in depositor's account are insufficient.

Bankers are dubious of the effect on deposits. They believe many small depositors, discouraged already by service charges, will look upon the check tax as the last straw, and close out their accounts. Others will be discouraged from opening new accounts. Until bankers can measure the effect on deposits, they say they will be reluctant to expand credit. Considerable evasion of the tax through use of specially-worded forms is forecast. Such forms (*BW—Jun22'32*) are practical for creameries, payrolls, and other multiple payment operations.

### Soap Makers Rushed

Among the busiest of tax anticipators were purchasers of soap. Factories have been rushed to fill orders. A tax of 5% applies to toilet soaps. The same quality of soap bought in laundry-size cakes will be tax free, which is one of several amusing quirks in the new law.

Soap makers are engaged in lively jockeying for advantage. Colgate–Palmolive–Peet Co. notified customers the tax would be added. Procter & Gamble Co. announced it would pass the tax along, having cut prices 30% recently. Lever Bros. Co., who had been reluctant to cut prices, in effect now makes a cut by deciding to absorb the tax. Competition in white, floating soaps is keen, not to say bitter, at the moment.

There was some advance buying of tires, oils, automobiles (in lesser degree), and of toilet goods.

Utility men sigh resignedly as they face the prospect of long wrangling over application of the 3% tax on electric energy sold for "all purposes except industrial consumption." What is industrial and what is commercial consumption? The government says exemption applies to current "used generally in manufacturing, processing, mining, refining, irrigation, shipbuilding, building construction, and by public utilities." But this is only a preliminary stab at definition.

The burden is on the user to prove his use is industrial, by the way.

### A Distasteful Job

Least of all do the utilities relish the job of acting as tax collector; they say they have troubles enough trying to maintain public good will. They fear now they will inevitably become involved in thousands of disputes—and even if they avoid outright brawls, nobody loves the tax collector.

Oil men are having lots of fun, too. Large, legitimate refineries and distributors see a bright side to the federal gasoline tax, which at 1¢ a gallon runs to $80 a tank car—a lively stimulant to pre-tax sales, by the way. They feel the national government now is a powerful ally in their fight against evaders of gasoline taxes, and gasoline bootlegging has become a big business, hurting the important corporations who cannot dodge, even if they would.

Users of big quantities of lubricating oils have laid in stocks. Some are reported to have a year's supply, stored in tanks bought or leased from the refiners.

It is possible, and easy, to buy two grades of oil, each tax-free, and mix them at the service station to make an automobile oil of proper grade, which should be taxable. The independent service station operator then can undersell the big companies' stations, or he can collect the tax and put it in his pocket. Standard, Texaco, Shell, and the other big fellows don't like either prospect; and are suggesting a change in the law to make the tax payable at refineries. They feel the Treasury naturally will be sympathetic.

### Retailer Policies Watched

Manufacturers in many lines are worried, too, over the possible policy of retailers. They fear some retailers will mark up goods by an amount larger than the taxes, and also will mark up everything on their shelves, even though much of it was bought before the taxes became effective. Both these practices will diminish volume of sales.

There will be busy days in the administrative bureaus in Washington, and a long string of rulings to make as questions come up for adjudication.

As for the consumer, he just grunts. It is estimated the new taxes amount to $30 a year for every man, woman, and child.

## Congress Already Sees Taxes Are Inadequate

THERE is a growing conviction among senators and members of the House that the call of the White House for additional revenue or additional economy is only the first move in this direction. They fear that other calls will follow discovery that some of the new taxes will not produce the revenue estimated. This is particularly true of the income and corporation taxes, estimates on which have already been revised downward some half dozen times.

It is becoming generally realized now that the warning of Senator Walsh, (Mass.), in his last-minute appeal for substituting the sales tax, was pretty nearly accurate. He insisted there would be "no incomes and no corporation earnings to tax."

So desperate is the situation, that many leaders agree if the whole thing

had to be done over again the sales tax would win.

In short, the very situation which convinced Ogden Mills and others some months back that after discussing all other taxes Congress would wind up with the sales tax is now here. But it is too late. There is no likelihood that the tax bill will actually be opened up for revision at this session.

## New Taxes Hit Buses But Stop a War

THE bus industry is especially hard hit by the new revenue bill. Taxes of 4¢ a gallon on lubricating oil, an additional 1¢ on gasoline, the 3% on new buses, 2% on parts and accessories, and levies on tires and tubes total up to something over $7 millions for the industry, according to *Bus Transportation*, amount to a 25% tax increase.

The loss is not without some gain. The additional cost of doing business may put a stop to the price-chopping which has been going on in many territories. On at least one—Boston to New York—fares have been restored to "pre-war" levels.

Originally $4, they were cut to $2 by the major lines, to $1.50 by smaller operators. This for a 220-mile trip costing $8.24 by rail. When the new taxes went into effect, fares jumped to $3, are now on the regular summer level of $4.

While perhaps not directly responsible for the increases, the higher taxes coincided with the beginning of the vacation travel season, caused many doing business at a loss to think it over.

Wide World

BIG GUNS—*Von Papen (Germany), Macdonald (Great Britain), Herriot (France) ready to talk disarmament at Geneva. Germany wants more, Britain fewer, armaments. France wants "enough to feel secure." Ultimately, economic pressure will force some measure of disarmament*

# Tire Tax Burden Turned Prices, May Be a Blessing for Industry

APPARENTLY trifling, the tax on tires and tubes proved to be a little pill with a big effect on the rubber industry, affording at least a temporary cure for its most serious ailment.

For 2 years, tire prices have followed cotton and rubber to new lows. Mail order and oil station competition hit dealers hard; sales shrinkage cut manufacturers' profits.

The new tax of 2¼¢ lb. on casings and 4¢ lb. on tubes amounted to 6–7¼% of prices prevailing when the tax went on.

With but one important exception, all major manufacturers raised prices up to 11% on casings and 15% on tubes to cover the tax and the cost of collection.

Firestone is standing pat, wants to protect independent dealers, believes that the mail order houses will leave prices undisturbed until the new catalogues come out. His action may force other makers to withdraw increases until mail order tires have fallen into line.

Only 7 years in the field, the mail order houses have gathered a formidable portion of tire volume. Imposition of a federal tax at this time creates a serious problem. Midsummer catalogues have just been mailed. Tire prices quoted hold good until Aug. 31.

While the mail order houses are known to have accumulated large stocks of raw materials at prevailing low costs, they are said to hold no more than seasonal surplus stocks. Inventories of finished casings and tubes, which according to records of the Rubber Manufacturers Association reached a recent low record on Jan. 1, 1932, have since shown no more than seasonal increases. Contrasted with this, shipments, which ordinarily have not caught up with production ratio until June or July, began to exceed production in April, eat into accumulated stocks.

Goodyear and United States, principal manufacturers for Montgomery Ward & Co. and Sears, Roebuck & Co., must collect the new tax.

Thus the mail order houses must absorb the tax and pocket the loss until August, when their new catalogue goes into the mail, in which tax-inclusive prices can be quoted to be effective Sept. 1. Or they must mail new price announcements to the 20-odd million names on their lists.

Meanwhile, tire dealers everywhere are planning on extra profit by selling stocks on hand at the increased prices. Factories began to feel the pressure of dealer orders as soon as the tax was finally adopted. Several makers have seen their "surplus" stocks shrink to the vanishing point with each mail still bringing more orders from dealers for immediate shipment. Some factories increased production to meet the sudden demand, Goodyear, for one, running 4 shifts of 6 hours.

Manufacturers and dealers alike are agreed that the necessity of raising prices to cover the tax may prove to have been the turning point in tire prices; may have signalled the beginning of improved conditions for the entire industry.

# France Takes Her Gold Home; $500 Millions Within 9 Weeks

## "Run" that reduced U. S. stock $1 billion ends and return flow is predicted

INSPIRED rather obviously by the Federal Reserve authorities, newspapers have been celebrating "the end of the outward gold movement."

The Reserve has paid out to foreigners $1½ billions in gold in 8 months. In the meantime, it received some. On net balance, its stock decreased $1 billion, dropping from a high of $5 billions in September to the present $4 billions. Half of this moved out between April 7 and June 18.

### Other Nations Joined

France took $750 millions, has another $50 millions or more under earmark. Gold of the Bank of France last August was $2.3 billions, now is $3.1 billions. Its balance held in other countries decreased by just about the same amount—$713 millions.

Holland, Belgium, and Switzerland took $374 millions of gold among them; also decreased their balances abroad by about that sum.

New York bank balances of European nations, once perhaps $2 billions, today are probably less than a half billion, which would not be enough in normal times to carry on the routine of business, and perhaps is not enough even for the shrunken trickle of trade in 1932.

So much for what has happened. The banking system of the country (with a little judicious greasing by new legislation) stood the strain of paying out $1½ billions in gold. England, trying to do the same trick, gave up at the billion mark and suspended payment. But, as the British point out, they were asked to meet the run in 2 months; we were given 8 months in which to bear the strain.

It has been a run on the bank. The reason, of course, was lack of confidence. France had seen the collapse of Austria, its repercussions in Germany. She saw that Britain was deeply involved in German credits, which looked like bad risks. The run on the Bank of England was partly a determination to get balances out of an institution known to be full of bad loans, partly an effort to reassure home folk in various nations by reinforcing gold reserves.

When England suspended gold payment, the Bank of France lost $90 to $100 millions, which wiped out its capital and surplus. The government made good the loss, doubtless with the admonition that French assets henceforth must be kept in France.

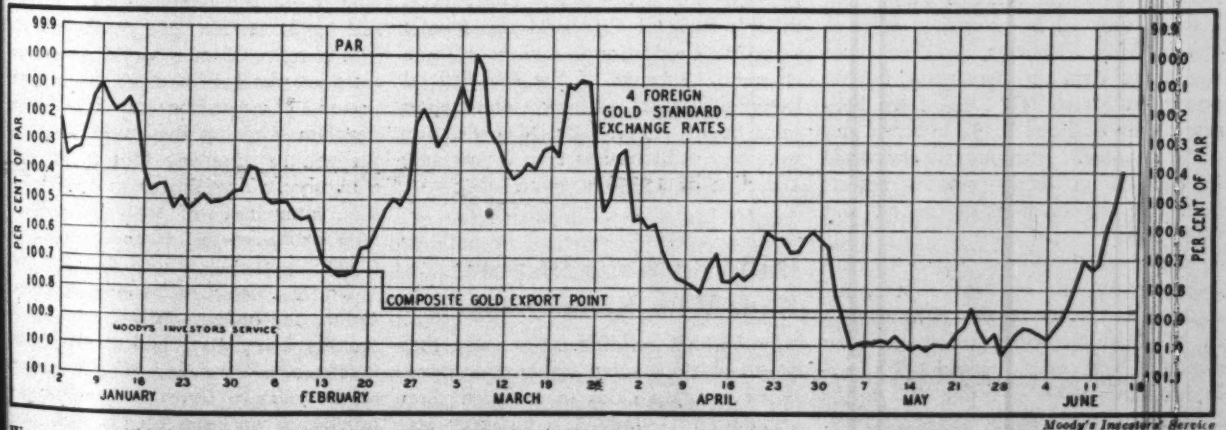
French currency steadily depreciated in the years following the war, and as it tumbled, Frenchmen sent their funds to other centers, notably London and New York. In 1928, France stabilized the franc (at 20% of its former value). In the process, the government bought $1 billion of her citizens' foreign bank balances. Instead of calling them home at that time, which would have been convenient for London and New York, and a salutary check upon our boom, France let them stay, enjoying the high interest rates of the boom, and using them also as chess men in her diplomatic game.

This last policy particularly outraged the rest of the world. So often were these balances shifted and manipulated on the eve of French diplomatic negotiations that any theory of coincidence became ridiculous. Britain felt the squeeze more often, but we were given a touch of it once or twice, until official Washington conveyed ever so diplomatically what a Washington official voiced privately and profanely—the suggestion that Frenchy take his damned money and go home with it. The New York banks cut interest. When the French protested that if rates were lowered, they would have to withdraw, the bankers congratulated their Parisian friends on catching the point so quickly.

### The Benefits

Theoretically the effect of being rid of this threat to our gold should be extremely helpful. The actual need of keeping reserves to meet the drain has passed. This is declared to have been the reason for the Federal Reserve's keeping 75% to 85% reserve. Now reserves are 58%—still 18% above legal requirement. Psychologically, cessation of the drain should reassure nervous Americans who have reinforced the European assault by themselves hoarding gold, and sometimes shipping it. It should make speculation against the dollar unprofitable, again bettering our position.

Some of these good things have be-




*Moody's Investors' Service*

WHAT THE WORLD THINKS OF THE DOLLAR—*Here is the price of the dollar, plotted against a composite of French, Belgian, Dutch, and Swiss exchanges in the first half of 1932. Improvement since June 4 is spectacular*

gun to happen. The dollar is worth more already. It is entirely probable that French gold may reverse its flow before the summer is over; the French balance of trade is against her; she will have bills to pay here and no bank deposits with which to meet them. Furthermore, events in Europe may take a turn which may convince Europeans anew that New York is a safer place for funds.

On the other hand, any new domestic scare could start gold exports from New York afresh. There are no more bank balances to be withdrawn. But Europeans could sell American securities in unpredictable but certainly large volume. And Americans can ship their cash elsewhere. It is this last contingency which alone would have the power to shake us off the gold standard.

# What Happened to May Sales Happened to Payrolls First

## Study of employment figures leaves no mystery in disappearance of consumer buying power

THE new contraction of consumer buying which became suddenly and glaringly apparent with the publication of the May sales of department and chain stores (*BW—Jun22'32*) is not surprising when a glance is taken behind the scenes. The will to buy is undoubtedly not diminished but the accumulated and accelerating effect of more than 2½ years of depression has made serious inroads on the ability to buy.

Recent estimates of the American Federation of Labor place total number of unemployed at greater than 10,000,000, an increase of some 2 million in less than a year. The monthly survey of employment and payrolls of the United States Bureau of Labor Statistics indicates no check in the downward trend. Only February showed a mild gain in both employment and payrolls in the 89 manufacturing industries covered, while succeeding months have shown continuous contraction. In April, employment declined 3.6% from March, followed by a further drop of 4% in May. Payrolls, an even more significant item in measuring buying power, in March fell 2.8% from February, then declined 7.3% in April and 4.9% in May. The marked shrinkage in payrolls in recent months reflects both the shorter working period and wage cuts.

The payroll of the metal-working industries, which in former years accounted for 40% of the total payroll in all manufacturing industries, now stands at 38% of the record 1929 level in identical plants of some 202 establishments covered in *Iron Age's* survey. In the more basic divisions, such as forging, the present total payroll is only 23% of the 1929 wage bill, while the best showing was no better than 58%. When the average weekly wage of employed workers in some 25 industries reporting to the National Industrial Conference Board in April is no greater than $17.58, a 5% decline from March, there can be little astonishment that advertising appeals on the basis of either price or quality give disappointing returns for even the food chains.

This drastic slump in payrolls finds a counterpart in the shrinkage of life insurance sales and savings deposits. After registering a 6.4% gain in total life insurance sales in January compared with a year ago, succeeding months revealed rapidly increasing declines. In February the downward trend began with an 8.8% loss from 1931, followed by further losses of 13.5% in March, 19.7% in April, 22.5% in May. New York State mutual savings banks report withdrawals more than $21 millions in excess of deposits in May. The Federal Reserve Bank of Cleveland also reports a persistent reduction in savings deposits of some 27 banks of the 4th Federal Reserve district without interruption since April, 1931. By May deposits were $19 millions less than a year ago, a decline of 15½%.

## Building Wage Dispute Ends With Ranks Broken

NEW YORK'S building crafts strike, that threatened to involve construction operations in other cities in an open shop dispute (*BW—Jun8'32*), has been settled in an agreement on a 15% wage cut (17% for helpers)—instead of the 25% slash for which the employers originally held out. Elevator workers, whose resistance spoiled what looked like a *fait accompli* when several of the unions assented to the deeper slash, have called off their preparations for a nationwide walkout, and the rest of the 130,000 building trades workers have signed up with the Building Trades Employers' Association. The dispute has halted construction in New York—what there is of it—since May 1. The new contract will run to Apr. 30, 1933.

More interesting to outsiders than the terms of the settlement is the evidence that neither building employers nor building workers are showing the old solidarity. Both sides broke ranks in the New York dispute, though both sides lost as a result. It is intimated that in the future the individual employer groups will negotiate separately with the individual unions instead of in combination.

## City Transit Wages At Last Being Cut

WAGES of city transit employees are coming down. The trend has been accelerated in the past 3 months, delayed long after wage cuts in most occupations.

Half the total number of employees have been cut, to date. The average cut has been 10%. Reduction of hours has cut earnings further. Estimates are 100,000 men have been cut $20 millions a year, or $200 a man.

There have been no union disputes.

## Spread-Work Program Makes Jobs in Muskegon

THE total of man-hours of work available in 32 Muskegon, Mich., factories fell 15% between Jan. 1 and June 15. The number of men working in those factories was increased 5% in the same period. Explanation: a spread-work program whereby these companies are pledged to distribute jobs to as great a number of employees as possible on a minimum basis of 30 hours, or three 10-hour days a week (*BW—Apr 6'32*).

Under ordinary conditions, the slump in orders during the last 6 months would have laid off more than 800 men, adding close to 800 families to the city's welfare list. Instead, the number at work has been boosted from 7,110 to 7,477.

Commenting on this program, in

Wide World

KNOCK NUMBERS—*Microphones under the hood translate the lightest motor knocks into "decibels" as this car climbs a steep Long Island hill. Acoustic engineers, equipped with "electric ears," record the knock ratings of the different brands of gasoline under test*

which L. C. Walker of the Shaw-Walker Co. took a leading part, the local manufacturers' committee adds that if the city's industries were now on a full 5-day basis, they would be employing 2,100 fewer workers than they are today. Only 8 of the 40 larger plants in Muskegon are not pledged to spread work in this way and the committee hopes that their early adherence will add another 230 to the payrolls.

# Rise in Sugar Prices May Be More Than Seasonal

SUGAR producers will probably remember the great depression of 1929-? as the time when they were reduced to considering the possibilities of sugared sand as a market for their product in a world turned sour. This week they were looking forward to the happy day when sanded sugar will again be a good grocery store joke and the demand for sweetened lime-sand mortar (new industrial use, *BW—Apr6'32*) just an excuse for a bigger crop.

After declining almost steadily for the last 10 years—to about 50% of the production cost a month ago—sugar prices have suddenly started going up. Net advances for the week ending Friday, June 17, were 9 to 12 points on the New York Coffee & Sugar Exchange with a turnover of 244,100 tons compared with 103,000 tons for the previous week. Refiners were buying raw at 0.90¢ a lb. against 0.57¢ at the bottom of the decline; some of them jacked up their own prices from 3.70¢ to 4.00¢. If all that was nothing to get excited about, it was still encouraging. Sugar men were ready to cheer even a sign that the brakes were holding.

Brakes have had something to do with the change in the situation. Particular credit is given to the latest Cuban curtailment plan, hopefully expected to reduce Cuba's next sugar crop to around 2 millions tons, smallest since 1911-12, contrasting with the record 5-million-ton output of 1928-29, and cutting well under the 2,776,320 tons allowed for 1931-32 under the Chadbourne agreement. And Cuba's restrictions may inspire others. Amsterdam reports that, with British India and China practically out of the market for sugar, Javan growers consider a suspension of planting next year. Germany, France, and Poland may join the discussion of further curtailment at the July 7 meeting of the International Sugar Council in Ostend.

More immediate cause of the turn in sugar is the anticipation of a revival of demand with the approach of the canning season and the normal seasonal pick-up in the consumption of soft drinks. Buyers have been so cautious this year that the first sign of a check in the decline as seasonal influences began to be felt sent them rushing into the market for fear they would be caught with empty bins and emptied pocketbooks. It also brought rumors that a private pool had been formed in Cuba to hold about 800,000 tons for higher prices.

Meanwhile, estimators think that the current sugar year may see production cut below consumption totals for the first time since 1925-26. Willett & Gray, who count the long tons before they are harvested, now place world output at around 26,314,633 tons, about 2½ million below the previous crop. They figure that 1931 consumption was 26,679,175 tons and that low prices may raise that total this year. All of which makes the sugar market hope that the explanation doesn't end with "seasonal."

## Moth-Prevention Use Sells Vacuum Cleaners

MOTH-PREVENTION attachments are selling such vacuum cleaners as are being sold. The bag is removed, a container of liquid is attached. The fan sprays the liquid over upholstery, clothes, furs.

Hand size cleaners, $16.50 to $24.50, are selling best. In Brooklyn Edison's latest campaign—its drives are the great classic of the industry, always making thousands of sales—80% of all vacuum cleaners sold were of the midget type.

## Electric Clocks Selling, But Such Cheap Ones!

ELECTRIC clocks are selling in heavy volume. Plants are busy, employees are getting full work and even overtime. But manufacturers are not particularly happy. Clocks are selling, yes—but what clocks! Drug store specials, to retail at 99¢, or $1.49, or some such figure that spells no great profit to anyone.

It started out to be a sweet business. Telechron pioneered and, by selling the master controls to power companies

everywhere, paved the way for those to follow. Electric clocks were things of beauty—with a proper mark-up for the beauty.

But the works are, or can be, simplicity itself, and enterprising manufacturers quickly discovered it cost only a few cents to wind up a tiny synchronous motor, attach hands to a few little cogs, and put the whole in a stamped case. Bargain clocks made their appearance, sold—and sell—like hot cakes. The lowest price recorded was 49¢ retail in Chicago where a price war broke out. The clock sold at 70¢ wholesale.

And it was a good clock. Testing laboratories say nearly all of them have been.

There were 400,000 electric clocks sold in 1929 for $8 millions, an average price of $20. There were 1,400,000 sold in 1930 for $15,155,000, average price of $10. In 1931, the record was 1,800,000 for $17,200,000 (average, $9)—and 1,000,000 at $1. Grand average, $6.50. This year, say pessimists, the average retail price will be about $1.50—no "good" clocks will be sold.

The alarm clock is catching popular fancy very rapidly.

## Wool Shirt May Cover Haberdashery's Leanness

SINCE those dark days when so many men lost their shirts in Wall Street, haberdashers and custom makers have been hoping to scotch the trend toward cheaper and still cheaper shirts. A candidate for leadership now appears in a new wool fabric. It is a superfine worsted just off the looms of the Botany Worsted Mills. During the last 2 years American mills have created beautiful light wool fabrics for women's garments. Botany steps over into the man's market. This shirting is so expensive to make that it cannot be sold cheaply. Shirts made from it will have to sell above $6 it is said.

When war wages put silk shirts on the shoulders of boiler-makers and shipyard workers it destroyed the exclusiveness of that cloth. The erstwhile silk-shirt class went in for fine madras, crepes, novelty weaves of cotton. Prices of these materials have been depressed by a panic demand of retailers for low-priced merchandise and by the eagerness of textile companies to meet the requirements. Again the garment of the haughty is available to the proletariat.

Old New Yorkers shuddered when haughty Altman's, aristocrat of Fifth Avenue retailers, put on a sale of men's shirts at $1. In St. Louis, Stix, Baer & Fuller sold shirts for $1.85, including embroidered monograms. The rumor that Woolworth's will offer a 20¢ shirt throughout its chain rises persistently after every denial. Manufacturers are offering shirts at $2.70 a dozen to the big-order trade.

Sorrowing makers of high-grade shirts believe the Botany worsted will lead them out of the cut-price market and back to profits. The new shirting is so fine that it weighs less than 4 ounces a yard. First wearers say it gives greater comfort than linen, cotton, flannel, or silk. It is claimed that the cloth meets all objections: that it insulates from heat as well as cold, that it does not wrinkle, can be easily washed, will not shrink.

## Use of Lead to Weight Silk Starts Argument

TREATED with tin, the weight of silk can be doubled. Treated with tin and lead, its weight can be tripled.

For some years, one American manufacturer has used the tin-lead weighting process, under what are known as the Berg-Imhoff patents. This attracted no great amount of attention, since its output was perhaps one-thirtieth the total of weighted silk annually marketed.

But when United Piece Dye Works of the Paterson, N. J., district was licensed to use the tin-lead patents, the matter became important, for United is one of the biggest of all producers.

Controversy has flared up. Does the tin-lead process injure the fibre more than ordinary weighting? More important, is there danger of lead poisoning from lead-treated silk?

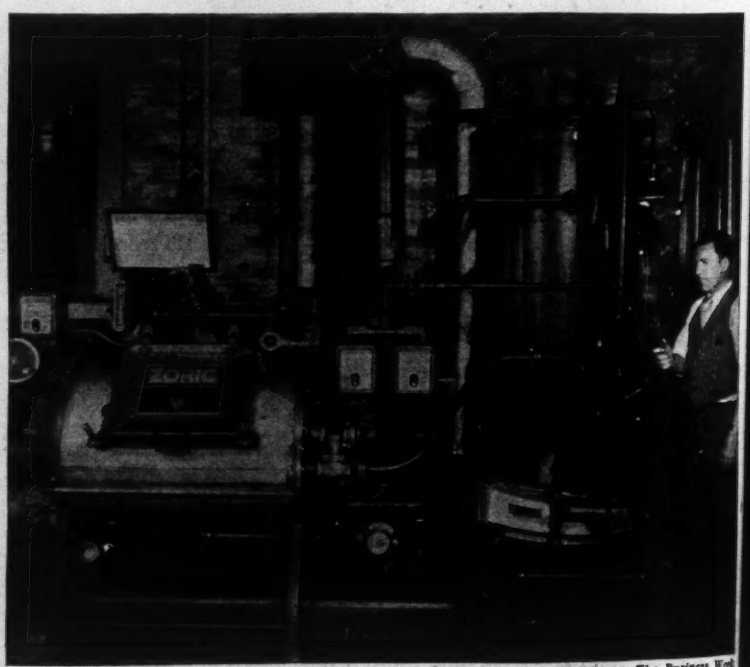
One independent consulting chemist has made tests indicating the wearing qualities of silk are increased rather than lessened by the process.

On the health question, there is no clear testimony. Macy's has declined to handle silks weighted with lead until affirmative proof of their harmlessness is forthcoming.

Simultaneously, the industry has accepted new trade practice rules, most important of which is a Group I rule which defines weighted, pure dye, and mixed goods.

## Even Carpets Spurned Those Gillette Blades

GILLETTE SAFETY RAZOR CO. announced in 1927 invention of a knife to cut pile in carpets and rugs. The cutting edge was made from razor




The Business Week

DRY CLEANER—*Cleaning fluid used too many times fails to clean; redistilled, it's as good as new. This gas-fired cleaning and distilling unit, developed by American Laundry Machine Co., operates continuously*

blades, snipped to sizes and shapes to suit, and made to fit in wire holders. Mr. Coolidge posed for the camera, admiringly examining a rug produced by the new knives.

A sad aftermath is a suit filed by the Ohio Carpet Co. against Gillette for $100,000 damages for breach of warranty. The allegation is that blades below guaranteed quality spoiled carpets.

## Portable Quick Freezers Make Big Eastern Pack

OUTPUT of quick-frozen foods will be multiplied many fold this year. Public demand is reported good; the problem is to get adequate supplies for the steadily increasing number of outlets.

This season's pack of vegetables and fruits in Oregon was 7,000 tons, a big increase over last year. Meats now are being frozen in Montana, in the heart of the beef country. The saving in cost between transporting live animals and compactly boxed frozen meats is expected to increase profits.

For the first time, Eastern peas are being quick frozen. One theory heretofore was that only a variety grown in Oregon lent itself well to the process. Laboratory work, however, adapted the process to the Eastern peas. Now 8 portable units have been sent to the Albion, N. Y., plant of the Snider Packing Corp., which will freeze 15 carloads of peas for General Foods.

In March, the same units packed asparagus, strawberries, peas, stringless beans, limas at Fairfax, N. C. When the pea pack is made at Albion, the outfits will go to Bridgeton, N. J., to pack lima beans.

# Gas Has Growing Market In the Industrial Field

WITH improved, rate-cutting methods of manufacturing gas and a wider distribution of low-cost natural gas, industry is beginning to notice a material increase in the use of this fuel, particularly in industries where fuel is a large item in production costs.

Specially significant to those who have been watching the trend is the number of big manufacturers who, despite the slump, have been making heavy investments in the conversion of their equipment to the use of gas. Also of interest is the number who have begun to make new products that can be manufactured to best advantage with gas as the plant fuel or that themselves call for the use of gas. Many industries furnish apt illustrations.

### Used in Dry Cleaner

Among the new gas-consumption accelerators is a dry cleaner unit just put on the market by the American Laundry Machine Co. Like predecessors, it calls for the use of carbon tetrachloride; but, unlike predecessors, it includes an automatic still which continuously redistills this $1 a gallon fluid after use instead of leaving it to be thrown away because redistillation at a distant plant would be too expensive. Results: faster cleaning, material savings in long-time operating costs. The still burns gas.

The Fretz-Moon Tube Co., preparing for an upturn in the demand for electrical conduit, has installed a completely automatic gas-burning pipe mill. "Skelp," the flat-rolled band of steel from which the pipe is made, passes through an extraordinarily long continuous gas furnace on its way to be rolled and welded.

The Diamond Braiding Mills have used gas to produce the superheated steam in an annealing unit which enables them to cut the cost of bright-annealing copper for wire drawing—first commercial installation of this type.

### Nitrogen, Sulphur

Gas is of growing importance to several major industries. Shell Chemical Co., subsidiary of Shell-Union Oil Co., has placed in operation 2 plants manufacturing fixed nitrogen by gas fractionation. Texas-Gulf Sulphur Co. and Freeport Sulphur Co., which together produce the bulk of our domestic sulphur, employ gas in their process. With the recent conversion to gas fuel of 3 larger smelters in the Utah district the greater part of our smelting capacity is now fueled by gas. Several big cement companies use gas in their kilns. The American Gas Association reports an interesting record of increased popularity for gas in its figures on the use of this fuel in the production of electrical energy. These put the 1919-31 gain in gas consumption in steam generator plants at 550.9%.

In territories with a large number of diversified industries, gas-selling utilities have established special departments, employed high-grade engineers to promote the use of gas-burning devices in industry. One company's aggressive sales efforts over a period of 8 years have added on its lines equipment representing 3¾ million cubic foot-hours of load.

Recent tabulations of gas consumption, reported by identical companies to American Gas Association, show that from 1929 to 1931 sales of manufactured gas dropped only 2%—from 407 billion cubic feet to 398 billion. The 1931 sale of natural gas by identical companies was 8.2% below the 1930 level, with the bulk of the decline accounted for by curtailment of petroleum refinery activities.

Incidentally, the growing importance of house-heating business on the books of the gas companies is indicated by the fact that in March the 204 companies manufacturing gas reported an increase of 5,526 customers in this field (12.1%) and a jump of 18.6% in the total of gas consumed for house-heating.

## Motion Merchandising Has an Exhibition

THE Mergenthaler Linotype Co., makers of the basic motion device, is sponsoring the First National Exhibition of Motion Merchandising Devices in the McGraw-Hill Building, New York.

In these modern improvements on an old principle, signs swing—and so do golf clubs; turntables revolve; gnomes hammer radio tubes and watch crystals; giants pull and stretch tire cords; pictorial humans sneeze, strop razors, tap typewriters.

All are variations on a common mechanical theme: the pendulum power unit which flashes the lights and rings the bell at railroad crossings, actuates the figures and turntables in these displays.

The place is a paradise for window watchers.

## Textile Men Applaud Price Boost Gesture

MARGINS have been disappearing in the textile industry, as one manufacturer after another whittled prices to get orders to keep his mills going. Gray yarns are selling perhaps 20¢ a pound above long staple cotton. Mercerized yarns made from these grays sell for

12¢ to 15¢ more. Neither spread covers cost of production.

Tired of this situation, the Aberfoyle Manufacturing Co. of Philadelphia announced June 16 that unless its business increased by July 15, it would raise prices an average of 10%.

The industry was startled by the novel gesture. Widespread comment has been laudatory. But there is no agreement as to its probable effect. It is possible other manufacturers may find courage to notify buyers the falling market has turned, or may decide that they could get just as much business at better prices as they do at present. Or they may decide to go their own way, and leave Aberfoyle to hold the bag.

## New York Stores Lure Suburban Trade

NEW YORK department stores and specialty shops continue to follow their trade to the suburbs. Increasing city traffic congestion prompted the move. Smart merchandising made a virtue of the necessity, played up the advantages of shopping by automobile close to home, without crowds or rush.

This spring, Franklin Simon joined Best and Altman in Westchester with a specially designed store in Greenwich, featuring full stocks, ample private parking space, and a tea terrace.

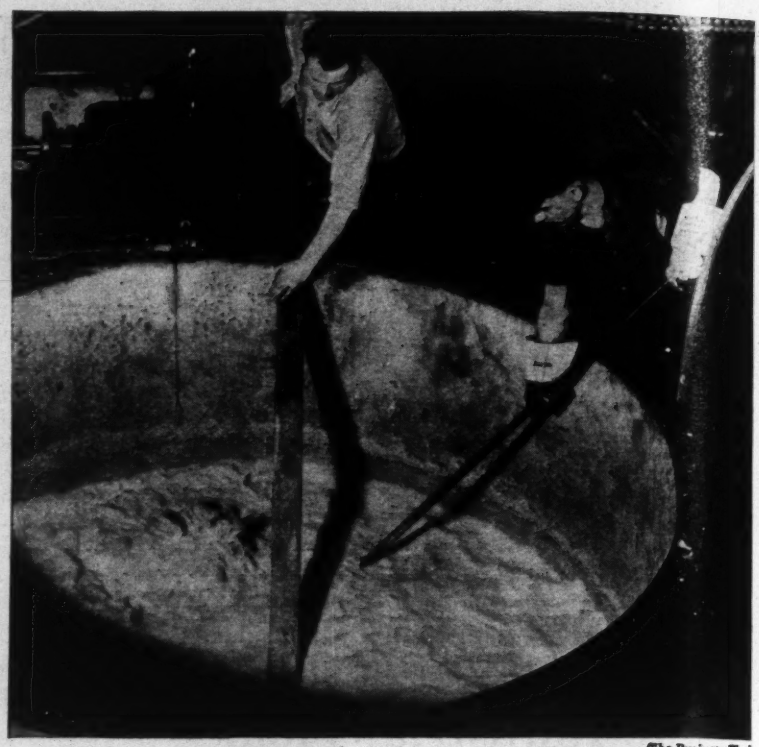
Last year, Wanamaker acknowledged the importance of its customers to the north of New York, built a distributing station for its delivery system. This year, the store makes another bid for Westchester trade with a "courtesy bus" which runs during store hours from Grand Central to the Wanamaker store at 9th and Broadway.

Courtesy passes are being issued to charge customers in the territory. Newspaper and direct mail advertisements feature convenience and comfort.

## New Synthetic Works Where Rubber Can't

RUBBER has found many new jobs for itself of late years; found, too, things it could not do, but which had to be done. From the research laboratories comes a new chemical product, Thiokol, which will do many of these things.

Oil and gasoline, for instance, cause rubber to bloat and weaken. A motor car manufacturer developed a flexible motor mounting which necessitated an equally flexible gasoline feed line. Metal tubing "tired" too easily, snapped. Rubber, of course, was out of the question. Thiokol solved the problem.



The Business Week

THIOKOL IN PROCESS—*Ingredients are washed before processing. The new synthetic resembles rubber, but is unaffected by oil or gasoline*

The new synthetic is a chemical combination of sulphur, carbon, and hydrogen. It is made from 2 common domestic compounds (ethylene dichloride and sodium polysulphide, to you). The availability of its ingredients makes us independent of foreign rubber sources in time of war, by the way.

The base material is opaque, pale yellow in color. Firm and dense, but pliable. It does not melt, but becomes plastic when heated, can be processed like rubber, and in combination with rubber. Unlike rubber, it does not deteriorate. It is made by the Thiokol Corp., which controls the patents. The company supplies the "gum" to rubber goods manufacturers, makes no finished products itself.

Developed after 8 years of research, Thiokol has been tried out in actual production for the last 2 years, is used in this year's automobiles.

## Penguins Are Wild; Republicans Wily

DELEGATES to the Democratic convention in Chicago are to be denied the boon of penguin eggs. A Republican administration has refused them admission and indignant Bourbon gourmets are asking if their rivals fear the stimulating properties of the delicacy. Officials have not yet decided whether the eggs are to be deported or just taken out and shied against a wall.

### To Inspire Delegates

It all goes back to a picture in *The Business Week* (*BW—May4'32*). Ernest Byfield, president of the Hotel Sherman, Chicago, discovered the portrait of a stack of penguin egg crates piled up in a London market. His wire to *The Business Week* started a cable to its London representative for more information. Eventually, Mr. Byfield ordered 20 dozen of the eggs from South Africa, purposing to regale the delegates of the Democratic convention. (The London dealer had stressed the eggs' "rejuvenating properties.")

The 240 eggs made the long journey undismayed. But Chicago's collector of customs, Anthony Czarnecki, looked in his books and discovered that importation of wild fowls' eggs are prohibited. But were penguins wild fowls? Mr. Czarnecki could not decide so he asked Washington. A tariff authority settled the argument by deciding that penguins are wild and that their eggs may not be admitted except for scientific purposes.

# Bond Buying and Car Pooling Go on the Rail Relief List

## Bankers support roads in effort to get R.F.C. loans for purchase of their own securities

RAILROAD executives who have been rallying around a plan to have the Reconstruction Finance Corp. lend the carriers funds with which to buy in their own bonds at present "bargain" prices (*BW—Jun15'32*) are getting considerable support from bankers and life insurance heads. Though there has been little public discussion of the plan there has been a good deal of activity behind the scenes.

Not all the railroad comment is favorable. Against claims that such a program would result in sizeable reductions in fixed charges besides helping to stabilize an investment held largely by savings banks and life insurance companies, some officials have objected that it would merely start bond prices up to a point where all advantage would be lost to the roads, and that it would only work on top-grade issues.

### Through Reserve System

The somewhat vague and restricted form in which the proposal was first launched has been clarified and expanded to call for the provision of R.F.C. money through the Federal Reserve system, whose members would advance it to the roads, using the purchased bonds as collateral. Everybody concerned seems to agree that no bond-buying movement of this type could be started without government aid.

Another supplementary relief plan which has been getting railroad attention is the proposed car pool to eliminate duplication and the wastes caused by separate ownership of rolling stock, particularly in the movement of empties. Fred Sargent, president of the Chicago & North Western, is being quoted in favor of the formation of a consolidated company to take over and operate all private car equipment such as refrigerator and tank cars, perhaps all equipment other than motive power. Foreign examples are being cited in support of a pooling program, and some commentators are pointing out that such a program could be put into effect long before anything can be done about the actual consolidation of systems.

Everybody is agreed that rail relief has a long way to go. E. G. Buckland, president of the Railroad Credit Corp., announced last week that all roads eligible to aid from his organization will be taken care of during the remainder of the year, but the eligibility rules withhold Credit Corp. loans from carriers that loans cannot save from receivership. Mr. Buckland's special emphasis on "eligible" has started speculation as to what receiverships may be expected to follow that of Mobile & Ohio.

### Surcharges Dissipated

One of the difficulties faced by the Credit Corp. is that the freight surcharges, equivalent to a 3% horizontal advance, that went into effect last January and from which it is supposed to derive its funds, have been largely dissipated in widespread reduction in regular rates. The revenue per ton mile was lower in the first quarter of this year than in the first quarter of 1931—1.044¢ against 1.046¢. This figure, which may not be a precise index of the general freight rate level, discloses at least that the railroads are advancing out of their own pockets the money that Mr. Buckland's organization has been turning over to those unable to meet their fixed charges. That these cuts have not stopped the trucks from extending their inroads on short-haul business is indicated by the fact that the average rail haul has increased during the year from 200 to 205 miles.

Some of the carrier executives are counting heavily on state legislation for relief from the trucks. Their hopes have been raised by the U. S. Supreme Court's approval of the Texas legislature's limitation of truck loads to 7,500 lbs., and they think more laws like this will eliminate truck competition on the long hauls.

Meanwhile, they have been making desperate efforts to lower costs. Atlantic Coast Line has slashed salaries 10%, second such reduction this year. New York Central made a 5% cut in salaries exceeding $300 monthly, and in wages of unorganized employees, third reduction in recent months; has combed out its clerical forces and demoted traffic officials. Between the middle of May, 1931, and April 15, 1932, the roads cut their working forces 250,669—from 1,337,331 to 1,086,662. Labor leaders sourly recall that some of the savings from their 10% wage cut were to be used to increase employment.

# "Flirting With 6-Hour Day" Looks Dangerous to Carriers

CONFIDENT that Congress will not force a 6-hour day on the railroads under present conditions, the managements have refused to consent to a practical test of its operation, as proposed by Commissioner Frank McManamy, of the I.C.C. The field studies on which they have agreed to cooperate will represent, in their opinion, little more than a check of the accuracy of their own studies. These set forth that the 6-hour day would increase the railroads' payroll by $600 millions under conditions prevailing in 1930.

Resentful of McManamy's proposal, which is believed to have been prompted by Donald Richberg, counsel for the Railway Labor Executives' Association, the railroad managers assert that if they had consented even to flirt with the idea of a 6-hour day, what is left of their credit would have disappeared along with any hope that investors still have in the future of the railroads. They regard the proposal as another evidence of the "bureaucratic tendencies" of the I.C.C. that are "usurping the functions of management."

### "Wouldn't Prove Anything"

The railroads set up their 6-hour day cost figures on the assumption that the men would be paid the 8-hour wage demanded by the union rules. They insist that the McManamy test under which the men would only be paid for 6 hours wouldn't prove anything, as men in road service must complete their runs regardless of time. Because it is not practicable to change crews at the expiration of 6 hours, the managements also argue that application of the shorter day would not put any more men to work in road service. It is admitted that among shopmen, telegraphers, clerks, and other classes of employment that constitute 80% of the

railroad payroll, the 6-hour day would be an effective method of spreading work, but these employees prefer a 5-day week of 8-hour days.

Commissioner Eastman's plan, which the managements regard as preferable to his colleague's proposal for an actual test, contemplates that the commission make a study of applying the principle of a 6-hour day on a typical operating division under present conditions and under what might approximate normal conditions, to determine: (1) the effect on cost of obtaining the maximum increase in employment; (2) the effect on employment if the cost is held to a minimum.

The railroads now are waiting, with such equanimity as they can muster, for the commission to make the next move. They realize that, regardless of the substance of the present inquiry, the agitation for a 6-hour day cannot be downed. They insist, however, that if the 6-hour day is tried at all, it should be tried in more prosperous times because it not only strains the financial condition of the roads but puts a premium on mechanization, which contributes to unemployment.

## Eastern Roads Plan For Door-to-Door Service

DECISION of the Pennsylvania Railroad to inaugurate this week a door-to-door service on less-than-carload freight shipped between the Philadelphia–Camden territory and Atlantic City and Ocean City, N. J. brings nearer the seemingly inevitable day when this service will be available throughout the East with the Railway Express Agency on the terminal end. Pennsylvania is using the Express Agency; Daniel Willard, president of the B. & O., has come out for its use as a central organization by all the roads, and other carriers are interested.

The stumbling block over which the Eastern rail heads have been tripping so far is the situation in the New York area, where the Van Sweringen interests which control the Erie also control the United States Trucking Corp. This weakens, for the Van Sweringens at least, the argument that use of the Agency, which is owned in common by all the carriers, is the logical and practical move. However, with examples of what such use can do afforded by the recent hook-ups between the Agency and several Chicago roads, the rail heads are hopeful of an early solution of their problem.

# Planks in Republican Platform That Bear on Business Problems

DECLARING the economic depression to be the supreme issue before the people, the Republican party platform adopted at Chicago devotes an unusual amount of attention to subjects that directly concern business.

Planks that deal with business matters include:

Pledge to adhere to the gold standard, and sound money.

Declaration in favor of American participation in a world conference on monetary questions—silver, exchange problems, and commodity prices, and the possibility of cooperative action concerning them.

Reaffirmation of the President's program of (*a*) loans to finance construction of income-producing or self-liquidating projects; (*b*) loans to facilitate carrying stocks of agricultural commodities; (*c*) loans to finance export of agricultural commodities; (*d*) loans to states for direct relief.

Pledge to press until passed legislation to establish the home loan discount banks.

Declaration for legislation to strengthen and improve the banking system. The party favors rigid examination of bank affiliates until all phases of the problems they create can be thoroughly understood, and a final solution mapped.

Budgets, national, state, municipal, should be balanced, and also reduced for years to come.

The party reaffirms its faith in the protective tariff, in the most-favored-nation principle, and in the flexible tariff.

It points out the necessity of emergency tariff action to protect the home market against the products of nations which have gone off the gold standard and therefore temporarily can sell cheaply in dollars.

The tariff should attempt to equalize the position of agriculture with other industries. The party will support any plan to equalize farm production with consumer demand, if it can be shown to be economically sound and workable. It favors cooperative marketing and will foster co-ops. It favors better land utilization, in particular the diversion of submarginal farm lands to other uses—forests, watersheds.

OIL INTO GAS—*General Electric engineers demonstrate the oil-atomization principle to be used in the new G.E. oil furnace. Oil and air, under high pressure, meet head on, breaking the oil into millions of particles*

The party believes in the principle of high wages, in shorter hours and the shorter week.

The Federal Power Commission should have authority to fix rates for electric power when it is transmitted across state lines.

The basis for competition between the railroads and other forms of transportation should be equal.

Efforts of the states to conserve oil resources are to be commended, and the party in power has encouraged the states to coordinate these efforts.

The party pledges itself to study the conditions which permitted the great speculative boom in securities to develop, and to correct such conditions so that such a thing cannot happen again.

# Analysis of Utility Figures Puts Holding Companies on Defensive

## Weakness of their set-up is emphasized by contrast with strength of operating units

SINCE the year-end issue of electric utility reports, investigators have had their scalpels in the figures. They have discovered mostly sound tissues, some healed scars, a few spots of affliction that may be cleared up without endangering the entire system. Generally, electric utility organizations have come through the strain with vitality unimpaired. Most of the high-grade organizations have maintained earnings and security prices better than those of any other industry.

Attacks on the theory of holding companies have continued with greater intensity since the Insull failure. No major operating company has so far omitted dividends; the holding company at the apex of the superimposed financial structures has displayed most of the weakness. More insistently the question is asked: Can the holding companies, especially those which merely furnish capital and supervision, justify their future existence? In some quarters the answer is "No" and its tone is loud and strong.

### Pyramiding Troubles

Says Milo R. Maltbie, chairman, New York Public Service Commission: "Holding companies, which are the result of pyramiding security issues resulting from the acquisition of securities at high prices, are not elements of strength but of weakness, and when crises come . . . holding companies cannot obtain funds. The underlying operating companies must then depend on their own resources to raise capital that is needed, and they can do it on much more favorable terms than the holding companies."

The irony of the situation is emphasized in an *Electrical World* analysis. Though energy output in 1931 fell 15% to 18% under 1930, intelligent management brought the operating companies into 1932 with only a 0.4% decrease in net earnings. Yet problems still harass the holding corporations. By a grim struggle most of them have survived the terrific strain of refunding on a demoralized security market. At the end of 1931, necessity for a record refunding of $500 millions hung, heavy, heavy, over their heads. During the first 4 months of 1932, about $186 millions of this amount was secured. This was somewhat more than estimated needs for the period.

But the holding company is not out of the woods and there are ominous forms in some of the trees. "Foremost," declares *Electrical World*, "is the question of security prices and their adjustment on the books of these organizations to represent fair values." Some of the companies have marked down their holdings, wholly or in part. Others still carry their securities at cost. Thus a holding company which had acquired a large chunk of stock at $150 in 1929 and was still carrying it at that figure might be able to make a pleasant showing on its books and at the same time be in a state that would cause executives to chew their finger nails. Holding companies not strong enough to effect adjustment are in "an unfavorable condition." Also too soft a policy on depreciation aids window dressing but does not improve the future of the corporation.

Comparison of net profits to capitalization (13 large holding companies) shows wide divergence. Thus for every $1 of capitalization, Electric Bond & Share earned 9¢ of net profit. National Power & Light earned 6¢ net; United Gas and Middle West Utilities between 5¢ and 6¢; North American Light & Power and Standard Gas & Electric less than 1¢. The average was 5½¢.

### Backfire Action

Important among the factors working against the investment holding companies is the backfire action of underlying operating stocks when dividends begin to wane (*BW—Feb24'32*). The life blood of the upper company flows from common stock dividends of basic operating concerns. A certain over-all return on an operating property means a higher return on its common, and a still higher return on the holding company common. But when operating dividends fall, the decrease is multiplied by the time it reaches the holding company's securities. (Under a typical set-up a drop from 8% to 6% in operating property income might mean 6% instead of 11% available for operating common stock, 6% instead of 18.5% for holding company common.)

The *Electrical World* index shows what happened in 1931 to 50 power and light common stocks. The average price dropped from a 1929 high of $115 to $55 last year. This year began with an average price of $40, which has since declined to $24.20. The last dive is a result partly of a senseless deflation in security markets, partly of real adversities since Jan. 1. It would indicate that status of the companies at present is worse than at the end of 1931.

Yield on the 50 common stocks (12 no longer pay dividends) is 8.30%; on dividend payers only, 10.93%. Average bond prices dropped from $97.5 at the beginning of the year to $88.7 on April 1. The 1931 average was just under $100. On this bond list, average current yield is 6.17%.

## B. & M. Boat Trains Sell Ocean Breezes to Vermont

THE enterprising Boston & Maine has evolved a new idea to get passenger traffic off the roads and on the rails. Special "boat trains" leave interior New England points, make a fast run to the seacoast, transfer their passengers to ships, bring them back the same day.

The first boat trains took residents of inland Vermont, New Hampshire, and Massachusetts direct to dock in Charlestown, Mass., where they boarded the Eastern Steamship Co.'s *Evangeline* for 8 hours' cruising along Cape Cod.

Whether the 12-mile limit will be a factor in these excursions to nowhere is not known.

# Our Annual Outlay Includes Putting 8% to 9% Into Savings

## 10. The American Consumer Market —A Study by The Business Week

*(This is the first of two articles on the part savings play in the annual expenditure of the American public.)*

WHAT individual American consumers *do not* spend for goods and services is quite as important to American business as what they do spend. It measures not merely the amount that is withheld from the consumer market, but also the amount that is contributed by individual consumers to the purchase of the capital equipment which increases the productive capacity of American industry and so intensifies the competition of American business for the share of the consumer dollars that are left to be spent for consumer goods.

The banks and the investment and security market machinery are of course directly interested in this postponed consumer purchasing power that flows into investments, savings bank deposits, and insurance premiums; and so also are the industries producing machinery and other capital goods. But for American business as a whole the chief significance of the statistics of individual savings is that they throw some light on the extent to which current buying power for goods and services is being curtailed and competitive production capacity increased. This is perhaps the most crucial question in the whole problem of business stability.

The term "savings," as used in this and the succeeding article in this series, is somewhat misleading. It really represents the amount paid out by individuals for the purchase of bank deposits, insurance policies, and securities, that is, the amount used by consumers each year to buy that intangible satisfaction called "security." As the course of events since 1929 has so sadly shown, much of it was *spent* in an even more literal sense of the word than if it had been used to buy goods and services, for some of the bank deposits and many of the securities that were bought have yielded less satisfaction, so far as security is concerned, than any other item in the national expenditure budget. For that reason savings have been treated in this study as part of the picture of consumer expenditure, even though a

**Table 1: Savings of American Consumers**
**(In Millions)**

| | 1919 | 1920 | 1921 | 1922 | 1923 | 1924 | 1925 | 1926 | 1927 | 1928 | 1929 | 1930 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Life insurance premiums, annual net domestic | 1,012 | 1,339 | 1,490 | 1,638 | 1,850 | 2,070 | 2,331 | 2,568 | 2,816 | 3,085 | 3,357 | 3,290 |
| Fraternal order insurance, net received from members | 160 | 165 | 171 | 173 | 178 | 186 | 188 | 182 | 193 | 197 | 206 | 202 |
| Veterans' Bureau, net premiums collected | 27 | 38 | 45 | 47 | 48 | 50 | 52 | 55 | 61 | 72 | 70 | 63 |
| Mutual benefit associations, premiums and assessments | 19 | 20 | 19 | 20 | 31 | 42 | 41 | 45 | 48 | 44 | 49 | 43 |
| Net premiums paid to companies outside the U. S. A. | 28 | 31 | 29 | 30 | 33 | 35 | 38 | 40 | 43 | 45 | 47 | 46 |
| Total Insurance Premiums | 1,246 | 1,593 | 1,754 | 1,908 | 2,140 | 2,383 | 2,650 | 2,890 | 3,161 | 3,443 | 3,729 | 3,644 |
| Customer stock ownership, annual purchase payments | 144 | 194 | 242 | 264 | 267 | 218 | 296 | 318 | 321 | 325 | 392 | 344 |
| Employee stock ownership, annual purchase payments | 96 | 105 | 135 | 157 | 174 | 194 | 239 | 295 | 385 | 462 | 575 | 600 |
| Investments by Americans made abroad | 102 | 215 | 365 | 413 | 87 | 205 | 283 | 350 | 423 | 946 | 913 | 613 |
| Investments in stocks and bonds other than above | 1,901 | 1,432 | 1,066 | 1,140 | 626 | 906 | 926 | 1,833 | 2,995 | 3,618 | 5,937 | 1,339 |
| Purchases in fraudulent securities | 376 | 325 | 270 | 310 | 245 | 280 | 330 | 500 | 610 | 750 | 998 | 490 |
| Total Investment Payments | 2,619 | 2,271 | 2,078 | 2,284 | 1,399 | 1,803 | 2,074 | 3,296 | 4,734 | 6,101 | 8,815 | 3,386 |
| Interest payments on loans secured by stocks and bonds | 515 | 413 | 375 | 422 | 467 | 538 | 652 | 687 | 823 | 947 | 1,104 | 932 |
| Commissions on execution of security sales | 39 | 28 | 21 | 32 | 29 | 35 | 57 | 57 | 72 | 115 | 140 | 101 |
| Total Interest and Commissions | 554 | 441 | 396 | 454 | 496 | 573 | 709 | 744 | 895 | 1,062 | 1,244 | 1,033 |
| Individual savings accounts less interest increment | 1,039 | 1,747 | 568 | 411 | 1,438 | 665 | 1,089 | 629 | 338 | 1,046 | —2,082 | —873 |
| Building and loan associations, annual instalments paid | 199 | 354 | 290 | 393 | 522 | 716 | 649 | 718 | 685 | 748 | 590 | 503 |
| Currency shipments abroad, immigrant remittances | 385 | 335 | 285 | 300 | 295 | 285 | 275 | 253 | 241 | 250 | 247 | 199 |
| Total Direct Savings | 1,623 | 2,436 | 1,143 | 1,104 | 2,255 | 1,666 | 2,013 | 1,600 | 1,264 | 2,044 | —1,245 | —171 |
| GRAND TOTAL | 6,042 | 6,741 | 5,371 | 5,750 | 6,290 | 6,425 | 7,446 | 8,530 | 10,054 | 12,650 | 12,543 | 7,892 |

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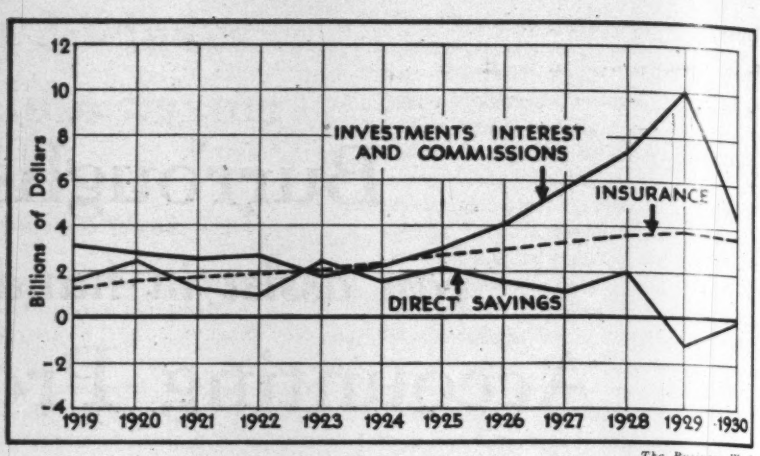
portion of them fortunately do really represent actual savings which can be used for future consumption.

Table 1 and Chart I accompanying this article show the course of the main classes of savings of individuals in the United States during the period 1919-30. The total of all classes of savings has averaged about 9% of the national consumer budget over this period, with about 8% or a twelfth representing the normal figure. From 1926 through 1929 the proportion was sharply increased, rising to 12.3% in 1928.

### Role of Individuals' Savings

Since the total of all savings, including individuals' savings, corporate surplus, and net foreign investments in the United States during these years is estimated to have ranged from a low figure of $8.7 billions in 1921 to a high of $22 billions in 1929, it is evident that the savings of individuals account in most years for somewhat more than half of the total surplus income that is saved for investment in capital facilities.

So far as can be estimated, the actual annual investment in fixed assets plus the annual increase in working capital has tended to run somewhat below the total of all savings annually, the difference, or excess of savings over actual investment, increasing markedly during years of speculative security market booms, as in 1920, 1922, 1923, 1926 and 1929, when the surplus of investment funds was employed to build or support some of the paper security pyramids that have since collapsed. In 1929 the excess of savings over actual investment amounted to over $5.6 billions. Only in two years during this period, 1921 and 1925, was the balance between savings and investment fairly closely maintained.




The Business Week

CHART I: SAVINGS—*Insurance held its own, even gained, through 1930, but savings in 1929 went to the stock market—with sad results*

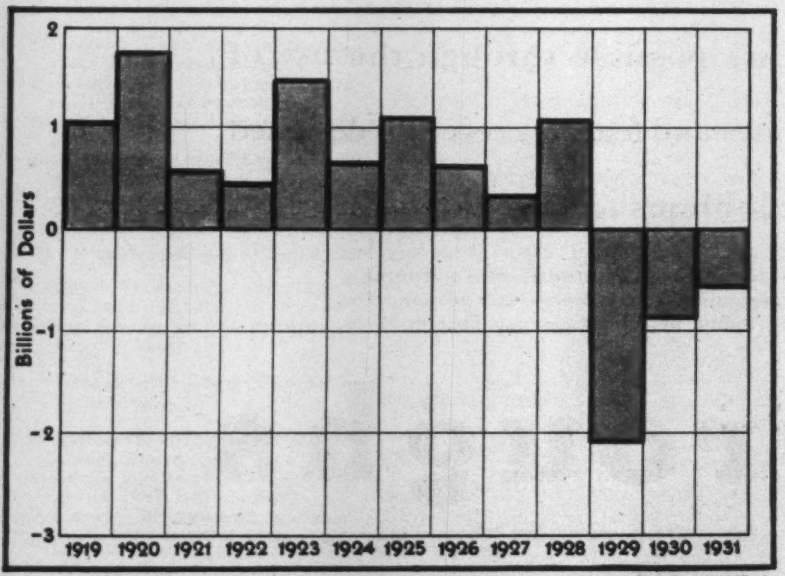
Among the major classes of individuals' savings expenditure, insurance premiums stand out as the most stable, showing a steady increase from year to year during the whole period, except for a slight decline in 1930, which will probably prove to have been more marked in 1931 and 1932.

Investments, which will be more fully discussed in the succeeding article, and direct savings stand in strong contrast to insurance in this respect. They are the flexible element in the uses of the consumer surplus, fluctuating with business conditions, to some extent, but principally with the psychology of the speculative security market.

### Bull Market Phenomenon

Most striking of all the features of the course of savings during this period is the roughly inverse relationship between direct savings and investments. This is evident even in 1921 and 1922, but is particularly apparent in the year 1929, when the greatest bull market of all time came to its end. As Chart II shows, in that year there was an actual decrease in savings deposits of about $2 billions, or almost as much as the increase for the year in security purchases by individuals. In the three years, 1929, 1930, and 1931, the total of savings deposits decreased nearly $3.5 billions, after allowing for the interest increment on existing deposits. This is fairly strong evidence that individuals were using their savings deposits to pay for securities bought. A whimsical sidelight on the vigor of the speculative boom in 1929 is seen in the fact that the decrease in the total of direct savings for that year was just about enough to pay the interest and commissions on securities bought.

In interpreting these figures it should be remembered that they represent only the new savings, or addition to existing savings each year, not the total accumulated up to that time. Likewise the amount spent for new security purchases does not represent the total face or market value of the securities bought, but only the cash expended by individuals for their purchase, together with the interest on loans incurred to buy them and the commission charges for the transaction.




The Business Week

CHART II: SAVINGS BANK DEPOSITS—*Deducting annual increment of interest, the status of savings bank deposits presents a picture quite different from the popular conception of the trend of such accumulations*

## British Steel Makers Must Deserve Protection

THE British are trying out an experiment in connection with their new tariffs which high-duty countries can well afford to watch.

Britain's infant, but increasingly-respected, Tariff Commission has boldly imposed a duty of 33⅓% on raw and semi-finished steel. Imports of both have always been fairly large, have been an important basis for the country's large foreign business in finished steel.

But on finished products, pride of the British exporter, the tariff is left at 20%.

Just here is the innovation. Attached to the 33⅓% duty is the condition that it is strictly a temporary measure unless the whole steel industry gets together and works out a rationalization scheme which will do away with the wasteful competition and obsolete methods now ruining it.

### Promise Balances Threat

There is an encouraging promise to balance the threat. If effective replanning is achieved, the industry is assured "adequate protection" in the future.

There is no bluffing on the part of the Tariff Commission, and steel manufacturers are aware of it. Immediately the project was announced they sat together in a meeting and talked over plans. The upshot was the appointment of a National Committee of 24 leaders in the industry, headed by Charles Mitchell, of Dorman Long. From this body, 4 regional committees were appointed, representing the 4 great steel-producing regions of Britain. Regional amalgamations are the essential first step in reorganization. If and when these can be arranged, marketing and production schedules for the whole industry can be revamped.

### Industry Accepts Challenge

The London *Economist,* respected organ of business and industry, ends a not-too-sanguine summary of the project with this statement: "Whatever the prospects for success, let us be grateful for one thing, that our first tariff 'chief' has had the courage at the outset to tell a great British industry that the first essential is efficiency."

The industry, without wasting time, has accepted the challenge. Two of the largest producers—Stewarts & Lloyds, and the United Steel Companies—which between them control about 20% of the steel output of the United Kingdom, have announced a cooperative agreement to avoid uneconomic duplication of plant, to cooperate in general sales policy and in research, technical develop-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ment, and production methods. Plans have already been announced for the joint construction of a £4-million plant to produce Bessemer process steel.

A second group, headed by Dorman Long, plans to cooperate in exploiting steel needs of China (*BW—Jun8'32*).

Foreign producers are completely disheartened by the move. The British market for raw and semi-finished steel has been important. Continental plants have been offering products in Britain at sterling prices only fractionally higher than those they accepted before sterling depreciated by 25%. Now the 33⅓% tariff eliminates them entirely, gives a great competitor industry an opportunity to serve a huge domestic market while modernizing to compete more effectively abroad.

Whether or not Germany has seen the handwriting on the wall, the recent gesture by the Reich to back the great German Steel Trust may be a move toward the same goal but through state control.

The entire European steel industry is in a chaotic state. Cartels have failed to solve the problem because they were unable to reduce the number of plants in excess of normal. If governments can bring about effective rationalization, international sales agreements may then prove to be beneficial.

# Empire Conference Will Aim At Planned Empire Marketing

## That and bilateral agreements now seem the most likely achievements at Ottawa

At Sydney, and Wellington, and Cape Town, and London carefully gathered statistics are being tucked into bulging portfolios as representatives to Britain's momentous Imperial Economic Conference prepare to sail for Ottawa. In less than a month they will be arriving in Canada to participate in King George's great family reunion. Hopes are running high. Dreams of vast new possibilities momentarily blot out depression gloom.

Probably each dominion has a different list of items which it wants to hear discussed at Ottawa. Canada, for example, is particularly interested in the prospect of developing the British bacon market. British South Africa has pages of statistics on the particularly fine wool which can be supplied to Lancashire. The Scotch would like to start a new tweed fad, anywhere. The English visualize raw materials flowing freely into London and manufactured products going out to Melbourne, Calcutta, Vancouver, Elizabethtown.

### A Great Dream

Stated tersely, the Ottawa conference is planned to build the present political union of dominions into a great economic entity within which goods would flow with minimum obstructions.

Chances for success or failure can be guessed only relatively. "Free trade within the Empire" is impossible. Imperial preference on a less limited basis than now is probable.

Obstacles to success are numerous. One of them is the reluctance of producers in Great Britain and each of the dominions to meet the requirements of various Empire markets. Canadian agricultural, dairy and meat products, for example, have long been under a handicap on the British market because of the failure of producers and exporters to conform to British standards of quality. British manufacturers have been even more blind to these considerations in their dominion markets.

### A Serious Difficulty

There is another and less easily remedied difficulty. Canada, in particular, and also Australia and India are unwilling to leave manufacturing to the British. They have fostered small industries with high protective tariffs until, in some cases, these industries now compete successfully abroad. There will need to be prospects for real business in large volume in Empire markets before they will expose these carefully fostered enterprises to free competition from Britain.

Equally important are trade relationships which have been built up with neighbors. Canada and the United States, for example, or Great Britain and Denmark. Existing trade is too valuable, business men too practical, to throw away these advantages until others are there to replace them.

Currency has become another problem since the conference was first planned. London wants a sterling group. The Empire is the logical nucleus, to which can be added, logically, that group of European nations which have always tied their currencies to the pound. But the dominions are proud. They want no financial dictation from London. South Africa and Canada have not followed sterling in the stepdown from gold. They have not yet found it to their advantage.

### Tariffs on 3 Levels

One further problem stands in the way. Most of the parts of the Empire have tariffs based on 3 different levels. Certain items are admitted duty free. Others come in under an "Empire preference" clause. And then there is the general list on which all but products from the Empire must pay the general rate. In many cases the dominions would be willing to admit British goods on a new "preference" basis slightly below the "general" level. This doesn't interest London for in most cases the "preference" base is too high to allow the British to compete effectively with domestic industry. With a bargaining tariff at home, London is in a position to argue effectively.

What is likely to come out of Ottawa?

A more cooperative spirit is probably the foremost result. Under economic pressure, barred from many old markets by exchange restrictions or tariffs, and threatened by the new tariff in Britain, everyone is in more of a mood to bargain. Best examples of this spirit so far evident are the committees which have already visited Canada in an effort to iron out difficulties in advance, prepare concrete suggestions for the formal discussions. The textile committee hatched up all sorts of new facts, came to a closer understanding with the Canadian manufacturers. Scotch manufacturers found the Canadians a hospitable lot who bought liberally from their exposition displays — everything from Scotch terriers to Diesel engines.

### This Conference Preliminary

Larger economic units are expected to follow the present orgy of tariff barriers. Europe is blundering toward them in numerous conferences, none of which has yet been successful. Britain sees in the dominions a chance to build up the first great economic union. It may work, but it is not likely to develop very far in this conference.

It is likely that progress will be made in 2 directions. With Britain in a position to bargain, it is not probable that the conference will break up until discussions have led to some sort of understanding of possibilities for closer trade relations. These may conceivably, how-

ever, take the form of separate bilateral agreements, at least for the time being.

The second trend will be toward an effective organization which can promote the idea of empire trade. There is already the beginning of a set-up in the Empire Marketing Board (London's organization for scientific and economic research as well as publicity), and the Imperial Economic Committee (now an investigatory and advisory body of officials).

Planning is shifting from a fad to a necessity. If the Ottawa conference can start the Empire on a policy of inter-member planning, it will not have failed.

## British and Canadian Ford Divide Empire Markets

FORD of England and Ford of Canada have made what amounts to an Empire trade agreement. The Canadian company will make V8 motors and cars for distribution by the English company in its European and Asiatic territories. The British company will make "baby" Fords for distribution by the Canadian company in India, Africa, Australia, New Zealand, Malay States, and other British territories. Because it now costs more than the V8, the "baby" Ford will not be sold in Canada for the present.

The story that Ford world marketing was being generally revised, with Detroit confined to V8's, Dagenham to 4's and "babies," arose from these negotiations in London, received little credence here, was denied in Detroit.

## Canada's Wheat Growers Forego French Concession

THERE is a gentlemen's agreement among the members of the British Empire that no member will make any new trade agreement with non-Empire nations until after the portentous Imperial Conference which will be held in Ottawa, Canada, in July. Any third-party obligations might prejudice the success of the inter-Empire bargaining.

Canadian wheat growers, holding many a sackful of stored wheat, were a trifle glum last week when they saw the 10-year-old Franco-Canadian most-favored-nation trade agreement come to an end June 17. Under its terms many tons of Canadian wheat had entered the French market on a better competitive basis than that of their competitors. Most vexing is the probability that Yankee competitors across the line will

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be able to send their wheat to French markets under "minimum tariff" rates.

Complaints were not voiced too loudly. There is skepticism over what can be accomplished at Ottawa, but there is plenty of hope that the results will be more beneficial than now seems probable. So the farmers, and other manufacturers who are affected by the terminating of the trade agreement with France, are willing to let the matter stand for a few months. It may be a convenient stick to shake at the family gathering in Ottawa.

# Exchange Restrictions Have Set The Whole World Swapping

## Soviets are in best position for barter; we do some; Germany has best organized system

ORANGES for shoes, coal for cotton, petroleum for ships, wheat for rails—these are some of the items that are being offered for barter in recent bargaining between manufacturers in various countries where foreign exchange of all kinds is virtually under lock and key.

Thomas Batá, the famed Czechoslovakian shoe manufacturer, has just completed a deal in which he trades shoes for oranges and honey from the Near East. He uses the fruit and honey in his own canteens, while the thrifty Turkish and Arab farmers have no difficulty in disposing of the inexpensive and durable Batá shoes to the merchants of Smyrna and Jaffa.

Oldtime traders, the British are too shrewd not to realize the emergency. An English firm of coal exporters—Messrs. Gueret, Llewellyn & Merrett, of Newcastle—has concluded a contract on a barter basis with the Finnish State Railways which will supply timber in payment for supplies of coal.

### Spanish-Russian Deal

Spain is taking advantage of the plan to gather some important contracts. In return for an oil monopoly which Madrid has granted to the Soviets, Moscow has agreed to use up the credit by contracting for large quantities of Spanish cork, copper, lead, and sheet iron. It is even possible that the Russians will place orders for 2 ships to be built in Spanish shipyards.

At the same time, it has been reported from Buenos Aires that, in return for the purchase of 200,000 tons of Argentine wheat by Spain, the Argentine government has placed an order with Spanish factories for rails.

Recent Soviet orders were placed in Germany only after Berlin had agreed that further efforts would be made to equalize the business by buying more of Russia's raw materials. At the same time, it was announced from Cairo that negotiations were under way for a bartering of German nitrate fertilizer for Egyptian cotton.

And very recently the Turks got a "loan" from the Soviets on a purely "in-kind" basis. That is, Moscow will supply Ankara with $8 millions of Soviet manufactured goods on a long-term basis, payment to be in the form of Turkish raw materials, probably tobacco, wool, and minerals.

### Our Profitable Exchange

Outstanding example of the barter system as practiced by the United States was the Farm Board's exchange of wheat for Brazilian coffee. In this case, the Farm Board came out ahead. Wheat prices are about the same now as when the deal was concluded, but coffee prices are up. Paper profits have been estimated at $2,772,000. London reports that certain American canners recently approached a prominent British soap and chemical manufacturer with a scheme to handle the interchange of their products on a barter basis.

The Soviets are in the best position to introduce the system on a large-scale basis because all their foreign trade is handled through a central government office. Germans, however, are taking the initiative among the capitalist countries in organizing for extensive international bartering. In Hamburg, first port of Germany and one of the largest international trade centers in the world, the Chamber of Commerce has opened a department for international barter.

And in Bremen, second port in Germany, more than 100 manufacturers and exporters have formed the International Merchandising Clearing Co. to carry on large-scale organized barter. The company will act only as an agent and trustee for the various parties to the exchange. As soon as the contract has been concluded and the "barter" approved by the competent authorities on both sides, German exporters of finished goods will be paid by German importers of raw materials, and the foreign recipient of German goods will settle his debt with exporters of his own country.

World trade can function effectively on a barter system only if it can organize itself promptly on this kind of large-scale cooperative basis. Unless a world economic conference is willing to consider quota and foreign exchange restrictions, exporters and importers are likely to work for this kind of agreement.

## German Post Office Delivers for Stores

EFFICIENCY is a fetish with the Germans. Economy is a necessity.

Delivery trucks of the Post Office department have not always been wholly occupied. To keep enough trucks to handle the mails in rush seasons is to have too many for slack times.

Casting about for a means of reducing costs without cutting the efficiency of the department, a crafty mail clerk hit upon the idea of contracting for the parcel delivery service of the large department stores in various cities.

The plan has been in operation for 3 months and is proving to be profitable to both the stores and the government. The plan was first tried in Erfurt. Parcel delivery service under the new plan costs an average of 4¾¢ for prepaid packages, 7 1/7¢ for C. O. D. parcels. This compares with an average cost under the old department store delivery system of 14¾¢ each.

## Canned Foods Must Be Dated in Greece

A CERTAIN few canners in this country have found a new sales argument in dating their products to assure the consumer of their freshness. Coffee is the striking example.

The Greek government is not leaving the sales possibility to the canner. After Oct. 1, all containers of canned foods sold in Greece must, by decree, bear the date of packing and release from the packing plant. Canned foods which are not marked will be prohibited in Greece, and they cannot be sold if more than 6 months have elapsed from the date of packing.

# Wide Reading

GOVERNMENT SAVES US FROM DEPRESSION. Fred Rogers Fairchild. *Yale Review*, Summer. Governmental programs, born of ignorance of economic law, may easily bring disastrous results—have often done so. Possible results, if the government acted wisely and strictly within its own sphere, form a picture little short of dazzling.

AN ADVERTISING MAN LOOKS AT ADVERTISING. H. A. Batten. *Atlantic*, July. An advertising leader advocates a boycott of unethically advertised products. In an era of purgatives, surely advertising cannot escape.

CAN THE LION TAME ITS CUBS? Otto David Tolischus. *North American Review*, June. England is pinning her hopes for recovery on the Ottawa conference, where she will bargain for Empire trade on the grand scale.

GAUMONT-BRITISH CHALLENGES U. S. WITH NEW £500,000 STUDIO. W. H. Mooring. *Motion Picture Herald*, June 11. The $2-million project is half completed; huge production plan set; space for use by independents; challenge to Hollywood.

ST. LOUIS ADOPTS AIR-CONDITIONING. *Electrical Merchandising*, June. St. Louis plans to turn over an air-conditioning campaign to a specially-organized bureau. The idea worked last year on refrigerators. It may be as effective with other mediums.

NEW HOPE FOR THE BOND VICTIMS. C. D. Williams. *New Republic*, June 22. Some useful information for unfortunate investors. There is a comeback for many if they are wise enough to find it.

PIONEERS AMONG THE SOVIETS. Harry F. Ward. *Nation*, June 22. Picture of a voluntary commune not generally expected in the Soviet Union. An experiment which helps to account for the success of Russia's agricultural schemes.

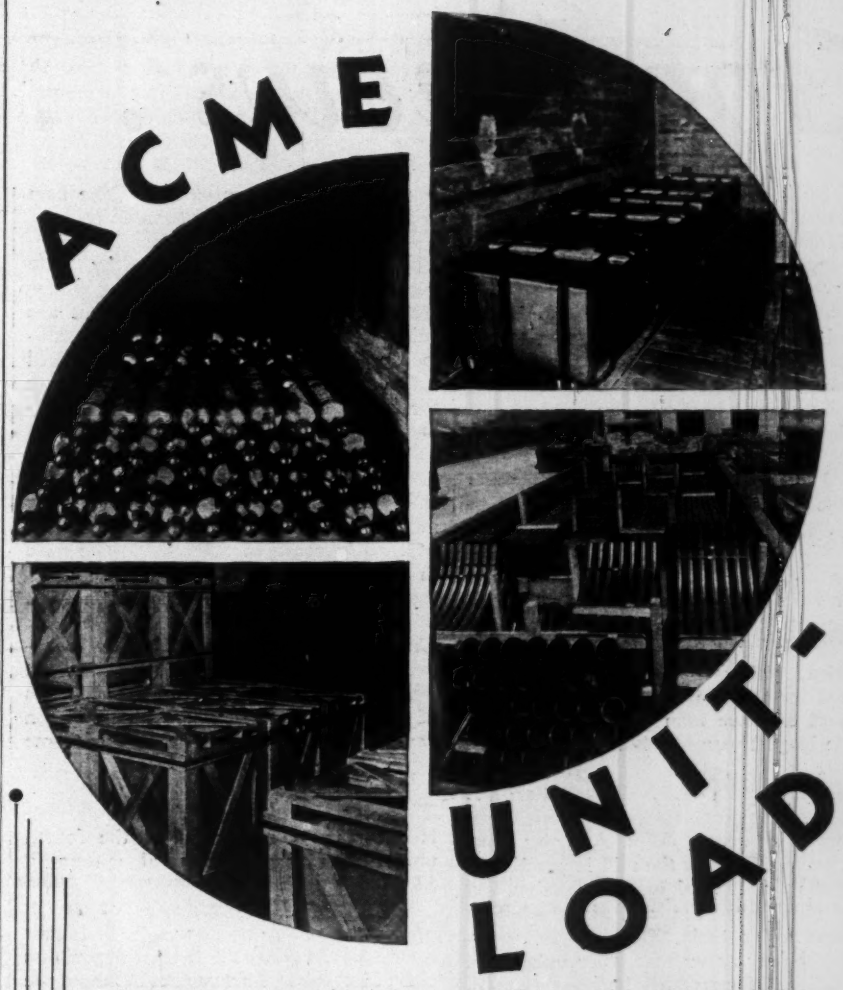
## REPORTS—SURVEYS

PERFORMANCE OF DEPARTMENT STORES: 1931. Edgar H. Gault. University of Michigan, 148 pp., $1. Month-by-month survey of retail activity. Study of trends. Tables.

MARKETING MANUFACTURED GOODS. H. R. English. Bureau of Business Information, University of Wisconsin (Madison), 36 pp., 25¢. A select list of books, pamphlets, and periodicals.

WAGES IN THE UNITED STATES IN 1931. National Industrial Conference Board, 78 pp., $1. What has happened to labor? How far has employment been reduced? How widespread is part time work? How far has the cost of living been reduced?

ECONOMIC SLAVERY OR FREEDOM. Charles A. Hawkins. Privately printed, San Francisco, 131 pp., $1. Clear, frank thinking on the ABC's of the depression and of the proposed remedies for recovery.

INTERNATIONAL INDUSTRIAL AGREEMENTS. Economic Committee, League of Nations. World Peace Foundation (Boston), 39 pp. Forms which industrial agreements have followed, and the effects on industry.

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# *Good news . .*

The Shell Company is planning expansion in Canada with a $2,000,000 refinery in Montreal and a $1,000,000 refinery and distribution plant in Vancouver.

The Gerrard Company, manufacturers of wire tying devices, Chicago, rises to dissipate the belief that industrial concerns cannot buy new equipment now. April was the best new business month in the 15 years' history of the company, with 214 new accounts opened. March and May were above the same months of the last three years. According to V. J. Gerrity, Assistant Sales Manager, this is the result of selling optimism to their sales organization and encouraging their salesmen to shut their ears to all other brands of business sentiment.

Building and engineering contracts reported for May in the 16 southern states amount to more than $35,000,000. This is the largest monthly total this year.

William Brown Co., Philadelphia, is now running on full schedule, with regular working quota. Wm. A. Long, general manager, states the mill is practically sold up to the end of June production, and is working on a day and night schedule on orders for their "Granite" full fashioned hosiery as well as other unbranded lines. Machines which had not been in operation for 18 months, are now active.

Apex Electric Company is behind on washing machine production. Several departments are operating night shifts.

Columbia University proposes to construct a $7,000,000 thirty-story college building on the campus in New York.

The Interborough Bridge Company plans a bridge over the Narrows connecting Brooklyn with Staten Island at a cost of $40,000,000. A bill authorizing this construction is pending in Congress.

Bigelow-Sanford Carpet Co. has continued to operate many of its departments without interruption in spite of economic conditions, President John A. Sweetser recently announced, adding that he held an optimistic view for the future.

The Clayton (N. Y.) Mfg. Co., manufacturer of knitted bathing suits, is now enjoying the biggest year's business in the history of the plant, according to George Hawn, head of this firm. Mr. Hawn said that while last year his firm shipped 625,884 bathing suits, this year's business will far surpass that. The firm is now turning out 5,000 suits daily.

The creditable records made by state highway departments in providing winter road work to reduce unemployment are being continued into the spring and summer. During April, 39 states placed 3,874 miles of state road under contract for a total of $38,524,278, giving employment to 205,221 men.

Loft sales rise 9.3 per cent. Total sales of Loft, Inc., for the first four months of the current year were $4,663,615, an increase of $399,247. The gain in customers is reported at 918,342, or 9 per cent above the same period in 1931.

United Air Lines are engaged in preparations for very largely replacing the flying equipment on their 8,500 miles of air route, putting on planes of a new type at an aggregate cost of some $2,000,000.

The City of Lancaster, Pa., is receiving bids for the construction of the fourth unit of its sewage disposal system, a $3,500,000 project.

May automobile output was 33% higher than April and was the largest production since last July. Parts manufacturers are increasing their pay rolls.

A bill has been introduced in the House of Representatives authorizing air field improvements at Belleville, Ill. The plans include new barracks, hangar, headquarters and operations building, radio, photography, gas plant, chemical storage building, heating plant, paved concrete and landing field improvements.

The Kentucky State Highway Department has recently awarded contracts of $694,891 for improving roads.

Depression or no depression, American women are attempting to look their prettiest. Or maybe they don't want to reveal any worried lines that business conditions have developed. Anyway, Outdoor Girl beauty products jumped from 625,000 packages sold in 1928 to 15,175,000 packages last year. In dollar volume this amounted to an increase of 400%, according to Myron Picker, President, Crystal Chemical Co.

To handle its increased business the Louisville, Kentucky, plant of Puritan Cordage Mills is employing twice as many men as in normal times. Three eight-hour shifts are working.

Plans are under way for a $2,820,000 yacht anchorage and marine race course at Long Beach, Calif.

Bids will be asked July 21 for general contract covering the erection of an 18 story capitol at Bismarck, N. D. This is a $2,000,000 project.

The air mail continues to attract patronage in spite of the surcharge for extra speed of the service. Payments to air mail operators during the first quarter of 1932 were ten per cent greater than in 1931 and 41 per cent ahead of 1930. Miles actually flown on mail routes increased 47 per cent over the first three months of last year and more than doubled the mileage flown during the same period of 1930. There have been only four months in the last 36 which have not shown an increase in poundage over the same months of the previous year.

Sears, Roebuck's farm implement plant is working day and night and is behind in filling orders for certain units.

The Los Angeles County Board of Supervisors recently approved plans for the construction of Dam No. 1, county flood control project, two miles below the Forks Site in San Gabriel Canyon. The project will call for the expenditure of approximately $10,000,000.

The Union Electric Light & Power Company, St. Louis, proposes to place $500,000 worth of air-conditioning equipment in St. Louis homes. Last year this utility was instrumental in the sale of 24,144 electric refrigerators against a quota of 11,500.

Royal Typewriter Company's "feminized" ribbon container aided in a sales increase of 50% and a distribution gain of from 40% to 90% of dealers handling the company's other lines.

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Believing that rock bottom prices have been reached, many industrial concerns have resumed their buying of raw materials.

Approximately 1,000 car loads of marble for the new U. S. Supreme Court building are being finished in the new shops of the Vermont Marble Company at Proctor, Vermont.

$31,000 electric refrigeration sales in 10 days resulted from an exhibit by 11 distributors at Buffalo recently. 1,347 live prospects were developed.

The Federal Power Commission has authorized the granting of a preliminary permit to Current River Power Company of Kansas City, Mo., for a proposed 26,000 hp. project in Ripley, Carter and Shannon Counties, Mo.

Marathon Oil Company, Fort Worth, Texas, is carrying on a $1,000,000 expansion and improvement program at their oil refining plant.

Newberry chain stores increased their May sales more than 11% over the corresponding month of last year. For the first five months sales were 14% ahead of a year ago.

The Board of Education, Dobbs Ferry, N. Y., will award contract this month for a new $800,000 high school.

Legal proceedings have been cleared away and plans will be carried through immediately for building the new $2,500,000 Jackson County court house at Kansas City, Mo. Sketches have also been made for a $3,000,000 municipal auditorium.

The Campbell Soup Company launched in June a large advertising campaign to build volume sales for its tomato juice. The campaign consists of magazine, newspaper and poster advertising.

The Morrow Manufacturing Company, Wellston, Ohio, has resumed operations. It is announced that sufficient orders have been received to operate the plant for several months.

The Northern New York Utilities Company has applied to the Public Service Commission for permission to build a power plant and distribution system for Watertown and Alexandria.

Bids were asked June 24 by the Director of Highways of the State of Ohio for highway paving projects totaling over $2,000,000. The state awarded contracts last week for highway repairs totaling nearly $500,000.

Beginning in June Luden cough drops will be advertised in newspapers to the tune of 500% more space than was used in the year just past.

Erie County, New York, is repairing and replacing 25 highway bridges.

Among the dredging projects of the U. S. Engineers is a $2,358,000 undertaking deepening the Brazos-Santiago Pass; and a $1,975,000 channel operation from Laguna Madre to Brownsville.

In 1930 the National Lead Company tripled its advertising on Dutch Boy white lead. The appropriation, totaling more than one million dollars, is being maintained in lean times to put Dutch Boy out in front of the procession when business recovers.

The North German Lloyd Steamship Company plans to build a 1020-ft., 3-deck pier at the foot of Canal Street, New York, at a cost of $650,000.

Vigilante Mining Association plans to ask the Reconstruction Finance Corp. or some other government agency for a revolving fund of $30,000,000 to stimulate gold mining and production on a profit sharing basis.

Allis-Chalmers Manufacturing Company has received a $100,000 order from the Near East Development Company for tractors and trailers. Similar equipment for Mississippi levee construction work has also been bought from this company for the same amount.


*We repeat*

## There's a lot of news .. and it's not all bad

**There's still life in American business. Forget for a moment all the surrounding gloom and consider this: Business at even 60% of normal means quite a lot of transactions, quite a lot of production, quite a lot of orders . . . . . *for somebody.***

**Witness these news items, typical of many that come to McGraw-Hill editors every day. Run over these bright spots. They may help you to keep your mind on realities, and take it off the pessimistic prophecies. Here is evidence that some companies are *doing* things. That some companies are *buying* things. And, therefore, that some companies are *selling* things.**

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# Business Abroad—Swift Survey Of the Week's Developments

**World trend featureless, dependent on unfinished conferences, unsolved problems. . . . France is still stubborn on reparations, perturbed over quotas. . . . Germany is rushing toward bankruptcy. . . . Britain lacks confidence. . . . Japan is asserting strong expansion policies in the Orient. . . . China is "coming back." . . . Until Lausanne discussions end, business will move slowly, uncertainly.**

## Europe

EUROPEAN NEWS BUREAU (*Cable*)—Too many of Europe's hopes for a break in the dread monotony of depression are centered in the Lausanne conference for business to have been other than disappointed this week over the delayed results. Conferences have become too familiar for the world to be very hopeful if decisions are delayed. Lausanne has not yet failed. Neither has it succeeded. Business reflected the suspense of the whole world. The best-informed opinion in commercial centers has not changed its last week's prophecy of what can be expected finally from the conference. France is putting up the usual stubborn front. Britain is taking the initiative in advocating cancellation. No one is bluffed by any one else. There will probably be some sort of long-term moratorium, with intermediary "token" payments, all planned to see what Washington will say to the idea after the November elections.

### Three Reduce Tariffs

Lausanne has not been barren, even in its first days. Considerable significance is attached to the plan that has been announced whereby Holland, Belgium, and Luxembourg agree to reduce tariffs on each other's products by 10% now, another 10% within a year. Norway, Sweden, and Denmark are likely to join the group shortly for they are already interested in a sort of Baltic tariff agreement, signed some time ago at Oslo.

The newest plan for rationalization of the British steel industry may be even more momentous. It is tied to the new tariffs (page 17). Raw and semi-finished steel have recently been placed under a 33⅓% duty (finished remains under a 20% duty). But the higher duty on raw and semi-finished steel is conditioned. Unless the whole British steel industry will settle down to a cooperative rationalization and modernization scheme, to be followed by a cooperative marketing plan, the duty will be withdrawn. Steel took it seriously, started cooperative plans. Continental producers are intensely interested. Competition may become more severe. Or chaotic conditions may be righted by a spread of the British idea.

No less surprising, but with quite a different significance, is the move this week by the German government to take over control of the great German Steel Trust through the purchase of a controlling share of one of its most important key units at a cost of $22 millions. Only the Soviet government controls a larger industrial unit.

Basic reason for the move is said by authorities to be the refusal of the Reich to see one of its most important industries come under foreign control. Units of the great German combine were in financial difficulties. French interests were trying to get a foothold. Germans were alert. Only the government was financially strong enough to take action. State capitalism in Germany now embraces banks, shipping lines, and the great steel industry. The government has entered the field unwillingly. But it has now gone so far that a new trend is well under way. It will affect business far beyond the borders of Germany.

Despite impossible economic conditions in Central Europe, it is likely that Austria first, later perhaps others, are to be aided once more with a loan from Western countries. Britain and the League are behind the move. Almost surely it can bring nothing more than temporary relief.

Securities markets have been steady with Young bonds up on early reports from Lausanne. Dollar exchange is steady and firm. Foreign trade reports are unfavorable in almost every country. Germany turned a favorable balance, but it is inadequate to meet foreign commercial interest charges.

## Germany

**Business awaits Lausanne results. . . . Steel Trust comes under government control. . . . New trade agreement with Soviets anticipates $75 millions in orders.**

BERLIN (*Cable*)—Business is distinctly disappointed over the delay at Lausanne. It is likely to mean that results will be

Acme

JAPAN'S NEWEST DIET—*Headed by Viscount Saito (seated third from left), members are attending their first formal meeting, June 2. They urged on the Premier plans for foreign exchange control, farm relief, inflation, domestic loans to help balance the national budget*

less satisfactory than Germany had hoped they would be. Opinion is general, however, that Germany will not capitulate to French demands.

Two internal developments are of special significance. The first is the export surplus for May. Though it nearly doubled the April figure, it is still below the average necessary each month if Germany is to maintain foreign obligations on debts.

Second development was the purchase by the government of sufficient shares in the large Gelsenkirchen steel company to gain a controlling interest in the larger German Steel Trust. It is another unwilling move by the government toward state capitalism. Industry views it with alarm.

Germany has reached a new agreement with the Soviets for new business. More than $75 millions in orders are expected in the next 12 months. Terms call for a cash payment of 20%, the remainder in bills running 19½ months.

## Great Britain

**Business chilled by first reports from Lausanne. . . . Markets in suspense. . . . Industrial production still below normal, but small orders increasing. . . . Steel industry forced by Tariff Commission to modernize, cooperate. . . . Copper will be refined in Britain. . . . Parliament balks "too stringent economy" of citizens.**

LONDON (*Cable*)—The British know the French as close bargainers. Therefore, Herriot's opening speech at the Lausanne conference, with its reflection of the familiar old-time French stubbornness, failed to flatten British hopes that the meeting would accomplish something. Business still hopes there will be some sort of long-term agreement which can be subject to further change after a *fait accompli* is presented to Washington, and American reactions are known.

Markets, meanwhile, are in suspense. Trading volume on the Stock Exchange has been moderate with prices regular. Industrials were in special demand during the week. Also government bonds, which were unusually strong.

Industrial production is still well below levels of last year but there has been a fair demand recently for small orders in both the textile and iron and steel lines. Coal is in a less favorable condition. Shipbuilding is bad.

All business is interested in the innovations which have been introduced into


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the steel industry by the Tariff Commission. Raw and semi-finished steel has been put under a 33⅓% tariff on condition that the entire industry get together on a rationalization and modernization scheme. If they fail to cooperate, the tariff will be withdrawn. If they succeed they are promised "adequate protection." Cooperative agreements are already being made (page 17).

Only slightly less interesting to British industry is the announcement that Britain is to have a great new copper refinery with an initial capacity of 3,000 tons a month. Copper ore will come from Northern Rhodesia. It is expected in the copper industry that Great Britain, after the coming conference at Ottawa will put a tariff on copper to protect Empire production. It is rumored that the refinery will soon be supplemented by one which is to be constructed by the Rio Tinto Co.

### More Jobless

Employment is not holding up. There was a further increase in the number of jobless last week, giving a new urge to the leaders who are responsible for making the most complete advance plans for the Ottawa conference, from which Britain anticipates a new trade impetus which will improve employment.

Members of Parliament launched an experiment this week. With government approval but without any formal aid, they are appealing to private citizens not to restrict personal expenditures for items which, made at home, would give employment to many. It is a typically British appeal, and it is likely to win a following. The combination of appeals to national pride which started with the "Buy British" campaign that was renewed last winter and which will culminate in the propaganda bound to come with the Empire get-together, may have a beneficial effect on British internal trade.

## France

**Uncertainty keeps business in suspense. . . . Markets are featureless. . . . Foreign trade declines further. . . . Import quotas increasingly unpopular, even at home. . . . Industry lapses into summer inactivity.**

PARIS (*Cable*)—France, as much as any other country in Europe, is under the influence of the many uncertainties tied up with the Lausanne conference, the disarmament bargaining, tariff worries, Germany's future, and gold.

Markets this week reflected the uncertainty, were as featureless as they must be in a week when no major decisions or agreements are reached relating to world problems.

The Bourse was soft except for Young bonds, which spurted on hopes that Lausanne would not dissolve until some better-than-expected agreement was reached.

### Bank of France Satisfied

With the bulk of its foreign gold holdings called home, the Bank of France gave a sigh of relief. Business leaders were less satisfied with the results. The trade balance is regularly unfavorable. Foreign trade barriers darken the prospect for any sound recovery in the future. Franc exchange is solid now but if this heavily adverse trend in foreign trade continues for long, it is bound soon to affect the franc. It will be no surprise to the Paris money market if a flow of gold out of France develops soon. It is not likely to be a severe drain, but it will be persistent. It will be the beginning of a redistribution of the gold holdings of the Bank of France, now the largest in its history.

### Foreign Trade Is Off

May foreign trade returns have just been announced. Both imports and exports are down, and the unfavorable balance is large. Raw materials were curtailed most drastically among the imports, reflecting the declining activity in industry. Manufactures fell off most noticeably among the exports.

The government's import quota policy received a blow this week. Representatives of the leading French manufacturers and agricultural producers protested to the government that their interests were in "deadly peril" as a result of retaliation abroad. There is a growing demand on the part of business leaders to have France negotiate new trade treaties abroad to replace at the earliest possible moment the ubiquitous and unpopular quotas.

### Paris-Ottawa Pact Ends

The Franco-Canadian trade agreement, which came to an end recently, is no part of this controversy (page 19). Renewal is definitely postponed until after the Imperial Conference in Ottawa, at which Canada wishes to bargain with as few strings attached to her as possible. After Ottawa, Paris and the Canadians are likely to get together in a fresh agreement.

Industrial production is dropping off. The index for May is down, particularly in the metallurgical, rubber, and automotive industries. Building and leather dropped off less drastically; paper manufacturers report improved trade.

## Latin America

**Chile works toward less radical government. . . . Uruguay contemplates plan to amortize commercial debts on orderly basis. . . . Brazil highly successful with coffee destruction plan. . . . Sugar prices up; many countries helped. . . . Venezuela decrees retail price cuts, less profiteering.**

ASCENDANCY of the less radical elements in the new government junta in Chile, and the failure of immediate sympathetic revolutions in other countries cheered business last week.

Señor Dávila is again in control in Santiago, and he has announced that he will establish a moderate government. A constitutional assembly is promised for the near future at which a new constitution will be formulated for the Chilean Socialist Republic.

In the meantime, business with the outside world is being conducted on a narrow margin. Foreign property has been promised protection. Retail merchants have been granted a 30-day moratorium on all their debts. The future of the new government is very uncertain, but most close observers anticipate a not-too-radical government will soon be organized and in control.

Uruguay is contemplating a plan for setting up an official amortizing organization to handle the commercial bills which have accumulated so far this year. It is reported that the government plans to have this organization issue bonds in foreign currency, payable in gold on the basis of the present exchange value. These bonds will mature in 5 years, would bear interest probably at 5%. If carried out, the plan should develop confidence among exporters.

### Big Coffee Fire

Few economic developments in Latin America are as encouraging as the Brazilian coffee destruction scheme. One year has passed since the plan was initiated with the hope of raising coffee prices by removing from the market the vast surplus which had accumulated. Within this time, more than 7 million bags have been destroyed, and an equal amount has now been purchased for burning in the immediate future. The coffee destroyed so far is worth more than $30 millions at current prices.

To cover the expense of the plan, the government levied a special export tax. At the present rate of exchange, this tax is yielding about $4.22 a bag. If coffee prices can be effectively stepped up, it is possible that the government will find it profitable to utilize some of

the coffee and some of the tax to develop new foreign markets. At present, funds are inadequate for any widespread advertising campaign.

Only slightly less encouraging to many a Latin American country and to foreign traders in the United States is the firming of sugar prices during the week at levels well above those which have been prevailing (page 7).

Venezuela entered the news this week with the decree from the shrewd old Dictator-President Gomez forcing downward food prices in the country. Declared the benevolent septuagenarian: "Articles of first necessity exist in great abundance owing to last year's splendid harvests. I judge it is neither equitable nor legal that prices should continue high to the detriment of the proletariat. Similarly, since the prices of flour, rice, and other imported articles have decreased abroad, there is no reason why they should continue to be high in this country. It is necessary for you, presidents of our states, to take within your jurisdiction the most energetic methods to prevents 'cornerers' from maintaining the artificially high prices of products, and that you prevent by all means within your power the merciless speculation in which they are engaged." The effect of the decree was immediately felt.

## Far East

**Japanese business dull. . . . Committee studies new silk outlets. . . . Rayon futures market established. . . . Cotton goods exports up. . . . China recovers. . . . Construction program outlined. . . . Philippines and Australia fan new optimism.**

POTENTIALITIES in the Far East, both political and commercial, continue to hold the interest of exporters and bankers.

Japan is definitely projecting for herself a larger sphere of influence in continental Asia. There is agitation (Japanese fostered) from the new state of Manchukuo for recognition by Tokyo. Manchukuo officials are also demanding that customs revenues from Dairen, which have been going to Shanghai as part of the cover for the Chinese foreign debt, be shunted to Changchun.

Most significant to Americans are the implications in the recent official talks of Tokyo diplomats who welcomed the new American ambassador. Japan has no intentions of stepping out of Manchukuo, and will not tolerate foreign interference with her expansion policies in the Orient.

Domestic business is depressed, though stock prices have risen in the last 2 weeks. Commodities still show no improvement. Silk is irregular and weak despite the government's move to steady the price by buying back surplus stocks. A committee has been appointed to visit foreign markets again this year in an effort to devise new outlets, or new methods of utilizing raw silk.

**Better Cotton Goods Demand**

Cotton goods exports have improved. May exports are nearly 12% above April and are the highest for any month since 1930. Foreign trade with China in May showed a favorable balance of $2 millions.

The world's first rayon futures market has been established at Fukui. Quotations are made for the current and 2 future months.

Trade reports from China are more and more encouraging. Shanghai continues to show new industrial and building activity. Peiping and Tsingtao are active in the north, and Hongkong in the south.

There is an official report from Nanking that the provincial governments in the great pioneering region northwest of Peiping have formulated a plan for the building of 100-house villages in a great Four-Year Plan. Each village will elect its own construction committee to cooperate with the government in carrying out the project.

There is a dual reason for concentration on development in this area. Now that Manchuria has been lost to the Chinese government, the northwest is the most likely region for pioneering. Vast irrigation projects have been contemplated, some developed. A railroad pierces the region, connects it with Peiping and the port of Tientsin. Soviet industrial development to the north threatens to expand into China unless the Chinese develop the territory themselves.

**Signs of Revival**

Among the first encouraging signs to appear in the Philippines this year are the recent firmness in the abaca market and the distinct improvement in sugar prices.

Australia continues to report mild business improvement. Retail trade is slightly more active. Export volume is heavy. Wool production for the current season indicates a record for the Commonwealth. The volume of new building, though still small, is showing decided gains.


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WRITE FOR THE BOOK OF LEEDS to Lord Mayor, Leeds, England

## *Bright Spots*

### IN THE DAY'S NEWS

ALL news isn't bad. For instance turn to pages 22 and 23 of this magazine for examples of what is happening somewhere in the country every day.

Items of this sort come over the desks of McGraw-Hill editors continually. We are mimeographing the more important items to distribute to our own sales organization. Other business organizations are also making use of them. Perhaps you would like to have them sent to you occasionally to distribute to your salesmen, dealers and various sales outlets. We shall be glad to supply them gratis. Requests should be addressed to H.A.C., McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York.

# The Figures of the Week And What They Mean

**Activity slackens slowly in most lines, except car production. . . . Steel, coal output recede to new lows. . . . June building records so far disappoint the promise of May. . . . Merchandise carloadings and power production improve, possibly under pressure of tax anticipation activity. . . . Commodity prices somewhat firmer.**

BASIC production indicators show a gradual decline into midsummer dullness. The May indexes of industrial activity, even in the field of consumers' goods, are generally below April, except in automobiles. The Standard Statistics index for May, available earlier than that of the Reserve Board, is 59.6 as against 61.6 for April, and the preliminary figure for June is 57.4.

Steel operations have slid off from 18% to 16% of capacity, bringing our adjusted index down from 28% of normal to 25%. Extensive summer shutdowns among the small independents are expected. Structural demand, from public construction, recently the main sustaining factor outside of automotive requirements, has weakened. Although Ford output is still expanding, and Plymouth has reached a new peak, bringing automobile production to a high point for the year, contraction among other makers is offsetting the stimulus to steel from this source. May car and truck production, estimated at 185,970, may be slightly exceeded in June, bringing the first half output to about 900,000, 45% below the 1,639,027 figure for 1931; but the last half of the year seems certain to be lighter than the first. Excise taxes stimulated car sales moderately in some makes.

Railroad, farm implement, oil, and general manufacturing steel demand is at a minimum and awaits new stimulus from recovery of business confidence or public aid to modernization projects, now under discussion. Finished steel prices are still fairly firm, but raw materials continue to weaken, and scrap has receded to a new record low.

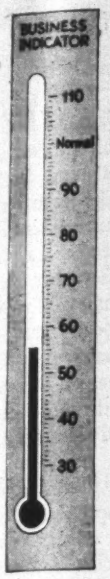
Construction activity, as reported by F. W. Dodge for 37 states during the first half of June, made a less promising showing than expected after the encouraging increase in May. Through June 15, the total value of awards aggregated $57.8 millions, which on a daily basis is a 24% decline from May and 63.4% below a year ago. The adjusted index of building for the period ended June 4 and June 11 stands at 30% and 29% respectively of normal.

### Building Contracts

Residential awards show a somewhat smaller drop than during the past few weeks with a volume of $12.7 millions, equal to a 4.1% decline under the daily average of May. In the past 2 months residential construction has been steadily declining. Non-residential building suffered a severe drop of 37.3% from the peak month of May. Contracts were valued at $19.2 millions. Awards for public works and utilities also declined, but remained the most important group of the three in point of value, totaling $25.9 millions. The decline in daily average contracts approached 19%.

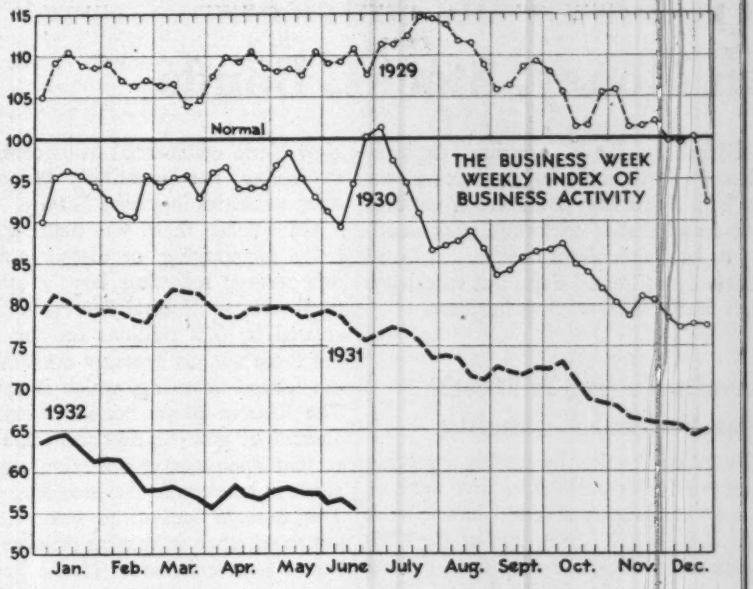
| THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY | *Latest Week* | *Preceding Week* | *Year Ago* | *Five-Year Average (1927-1931)* |
|---|---|---|---|---|
| | *55.5 | †56.4 | 76.8 | ..... |
| **PRODUCTION** | | | | |
| Steel Ingot Operation (% of capacity) | 16 | 18 | 35 | 68 |
| Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis) | $5,795 | $5,700 | $12,407 | $20,165 |
| Bituminous Coal (daily average, 1,000 tons) | *663 | †687 | 1,112 | 1,366 |
| Electric Power (millions K.W.H.) | 1,442 | 1,435 | 1,610 | 1,576 |
| **TRADE** | | | | |
| Total Carloadings (daily average, 1,000 cars) | 84 | 81 | 122 | 158 |
| Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars) | 62 | 59 | 86 | 104 |
| Check Payments (outside N. Y. City, millions) | $2,847 | $3,004 | $4,588 | $5,754 |
| Money in Circulation (daily average, millions) | $5,485 | $5,473 | $4,773 | $4,692 |
| **PRICES (*Average for the Week*)** | | | | |
| Wheat (No. 2, hard winter, Kansas City, bu.) | $.46 | $.48 | $.74 | $1.12 |
| Cotton (middling, New York, lb.) | $.053 | $.051 | $.093 | $.159 |
| Iron and Steel (STEEL composite, ton) | $29.52 | $29.56 | $30.99 | $34.62 |
| Copper (electrolytic, f.o.b. refinery, lb.) | $.052 | $.052 | $.079 | $.129 |
| All Commodities (Fisher's Index, 1926=100) | 59.3 | 59.6 | 70.0 | 88.8 |
| **FINANCE** | | | | |
| Total Federal Reserve Credit Outstanding (daily average, millions) | $2,277 | $2,199 | $946 | $1,157 |
| Total Loans and Investments, Federal Reserve reporting member banks (millions) | $19,087 | $18,712 | $22,425 | $22,120 |
| Commercial Loans, Federal Reserve reporting member banks (millions) | $6,687 | $6,599 | $7,862 | $8,620 |
| Security Loans, Federal Reserve reporting member banks (millions) | $4,828 | $4,798 | $6,720 | $7,187 |
| Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions) | $402 | $373 | $1,419 | $3,611 |
| Stock Prices (average 100 stocks, Herald-Tribune) | $76.54 | †$76.57 | $119.95 | $149.26 |
| Bond Prices (Dow, Jones, average 40 bonds) | $70.97 | $70.54 | $95.22 | $95.57 |
| Interest Rates—Call Loans (daily average, renewal) | 2.5% | 2.5% | 1.5% | 4.2% |
| Interest Rates—Prime Commercial Paper (4-6 months) | 2½-2¾% | 2½-3% | 2% | 4.2% |
| Business Failures (Dun, number) | 613 | 571 | 467 | 446 |

*Preliminary †Revised




### The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.




Soft coal production for the week ended June 11 was at a daily average rate of 663,000 tons, a decline of 3.5% from the preceding week, bringing our adjusted index to a new low level of 35% of normal. Anthracite output for the latest week shows a decline in average daily rate of 11.3% from the preceding week.

### Consumer Goods

Some of the consumer goods industries show increased influence of curtailed consumer purchasing power. Production of standard cotton cloths in May was 10.4% below the weekly rate for April; sales were 79.3% of production; stocks increased 4.4%, unfilled orders declined 11.3%. Silk consumption declined 8% and wool consumption reached a new low record. Shoe output also showed a more than seasonal decline. Cigarette consumption in May, after 12 consecutive months of decline, was lowest since 1927 and showed the third largest drop for a month in the history of the industry.

These tendencies are reflected in the quite general and sharp declines in employment and payrolls in May and a somewhat more marked recession in retail trade. For all occupations covered by the United States Bureau of Labor Statistics, employment declined 3.2% and payrolls 3.9% from April to May. In manufacturing industries employment fell 4% and payrolls nearly 5%, automobiles being the outstanding exception. In some of the leading industrial states the declines were sharper. In New York employment was off 6.7% and payrolls 10%; in New York City alone, 7.1% and 11%; in Pennsylvania 5% and 10%. Under influence of automobile activity employment in Detroit on June 15 reached a new high level for this year, the index of the Detroit Chamber of Commerce standing at 70.8 against 69.6 on May 31, but still below the June 15 figure for last year, 74.8.

Chain store sales in May showed some improvement for the grocery lines, but a less favorable record for the 5 and 10's and apparel and department chain organizations. The sales of 5 and 10's were 11.6% below last May as compared with an average decline of 6.1% for the first five months of this year. For the apparel and department chains the drop was 17.6% against 11.4%. Preliminary figures for the New York district department store sales for the first half of June show a slightly greater decrease—about 24%—below a year ago than for May.

### Foreign Trade

The foreign trade figures for May were, at best, no more unfavorable. May exports showed about the usual seasonal decline, and remained 35% below 1931, as in the preceding four months, though lowest since August, 1914. Imports declined a little more than seasonally, showing a drop of 32% below 1931, as against 30% so far this year, and were lowest since January, 1909.

Purchasing or production in anticipation of new taxes mildly stimulated industrial activity and trade in some lines. The chief reflection of this factor was in the carloadings of miscellaneous, l.c.l. and merchandise freight, which rose rather more than usual after the Memorial holiday week, bringing our adjusted index up from 51 to 53.

### Electric Power Up

The outstanding improvement for the week is seen in the second consecutive increase in electric power production, which has raised our adjusted index to 72% of normal, where it was four weeks before. This probably reflects some increase in industrial activity in certain lines like tires, gasoline refining and automobiles, where the new taxes stimulated advance production.

Check payments for the week ended June 15 declined moderately, but mostly in the 140 cities outside New York, bringing our adjusted index down two points to 62% of normal. Commercial loans rose for the week, and currency in circulation has shown a slight persistent tendency to expand in the last few weeks, after allowance for seasonal factors.

Commodity prices continued irregular, but with some tendency to firmness. The Fisher composite index was down for the week, but the National Fertilizer Association index rose for the first time in several months. Sugar, after its spectacular rise of about 2 points a day for two weeks, sagged a bit. Cotton was stronger on expectations of weevil damage. Wheat continued weak, touching new lows for the season. The nonferrous metals were steady and tin advanced. Commodity trading was somewhat depressed by the new turnover taxes.

# Trends of the Markets In Money, Stocks, Bonds

**Member bank credit expands sharply, but chiefly in support of new federal financing. . . . Gold exports cease and dollar exchange rises steadily as bear speculators cover. . . . Bond market steady and firm, but stocks are soft in slackest trading in years.**

## Credit Easing Is Mostly For Federal Financing

CREDIT contraction by weekly reporting member banks during the first week of June was abruptly reversed in the week ended June 15. Absorption of the $750 millions of mid-June short-term federal financing was the chief influence affecting the bank statements; but there was some expansion of commercial credit.

Total loans and investments rose $375 millions, mainly in $261 millions of government securities and $88 millions of commercial loans. Security loans increased $30 millions, but there was a slight drop of $4 millions in non-governmental security holdings. The rise in commercial loans was mainly in New York City, probably reflecting re-purchases of acceptances. Outside New York, commercial loans continued to decline, but investment in government securities increased heavily.

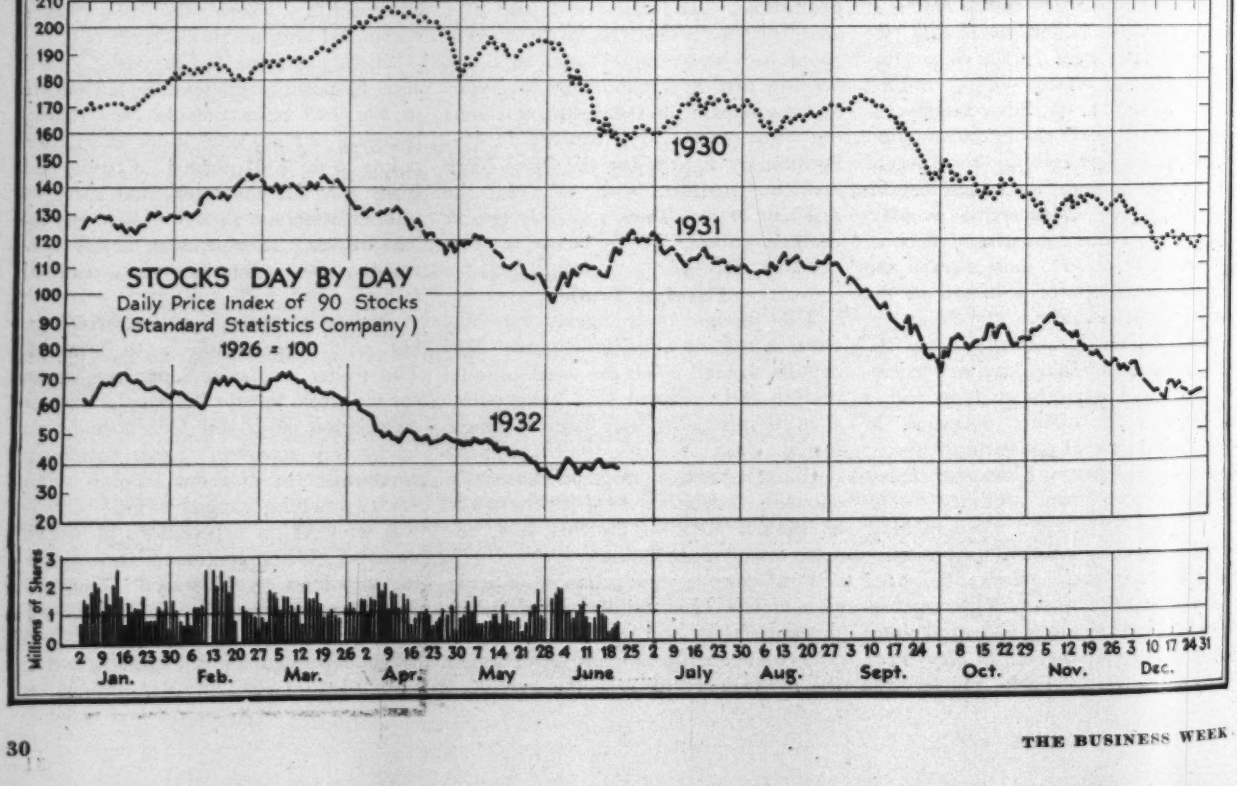
On balance there was nothing especially encouraging, or discouraging, in this record, reflecting largely calendar fiscal factors. Federal Reserve credit increased by $72 millions for the week, but there was no Treasury overdraft for the federal financing, which is unusual. The Reserve Banks bought a moderate amount of governments and some bills, so that open-market operations totalled about as much as in the preceding week. The Reserve authorities are evidently not so set upon increasing member bank excess reserve balances in the hope of stimulating credit expansion. Excess reserves in New York have fallen to about $75 millions, but for all member banks are still nearly $300 millions, showing a tendency to be distributed among outside member banks, which is helpful. Some significance is also attached to the shift of Reserve open-market operations from the large-scale buying of governments to bill purchases.

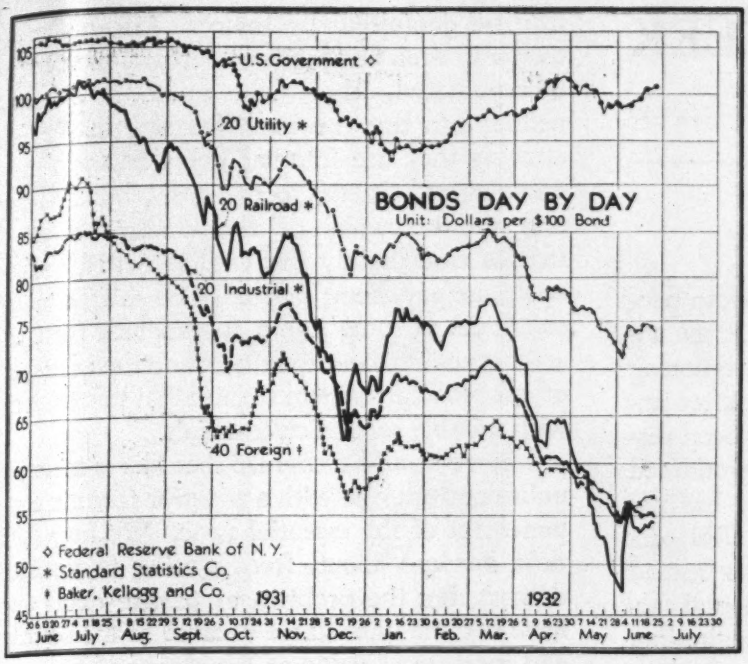
The Reserve bill buying rate has been too far above the market to bring it many bills, and the supply is very short, the amount of acceptances outstanding at the end of May having declined nearly $100 millions during the month, to a total of $787 millions, $625 millions below a year ago. They are so scarce and so greatly in demand that a record low bid rate for this market, of ½%, is anticipated. Short-term funds are so abundant that banks have been loaning money to government security dealers at ½%, the interest they pay the Treasury on deposits. There has been some weakening in commercial paper, rates on special and deposit rates on foreign balances have been cut, but nominal money market rates on call and time loans have remained unchanged, with supply abundant and demand extremely slack.

Gold outflow and earmarkings ceased and the dollar rose sharply and held fairly steadily above the export point against all foreign currencies, with forward exchange premiums narrowed, as short interests covered.

Some strengthening of dollar exchange is usual at this season to meet foreign importers' demands, but the present influences are exceptional. Exports are at a low level and the excess is small, while payments on American investments abroad have been drastically reduced. Expectations of an early reversal of the gold movement seem somewhat enthusiastic.

In spite of the endorsement by the






League's gold delegation of the policy of maintaining foreign exchange reserves, it is not likely that foreign central banks will soon regret their abandonment of this policy. The main influence which might cause a renewed inflow of gold would be a vigorous revival in the American securities markets.

## Bond Market Runs Along On Individual Investment

THE bond market has remained reasonably firm, under moderately active turnover, but without any evidence of further energetic effort to recover more lost ground than it has already retraced since early June. The bond pool moves obscurely in the background but has no apparent influence in the market. Bank buying—or selling—likewise leaves no trace, in spite of the fact that changes in investment portfolios of member banks for other than government bonds have been very large both ways in the last few weeks. The latest reports on life insurance company purchases have run largely to federal and municipal bonds. So far as one can surmise, this steady market is an individual investment affair.

Governments have been strong since the passing of budget, bonus and gold run scares, and were especially so last week. Strength in German bonds with expectations of a favorable formula from Lausanne was the only special feature of the week.

## Market's Pulse Beat Is Fairly Steady—But Feeble

STOCK prices were fairly steady most of the week, sagging off near the end toward a test of the June 1 lows. The influence of distress selling to pay taxes, around June 15, and liquidation pressure from banks was apparently absent. Security loans even rose moderately for the first time in some while. But the stimulus of interest on the upside was likewise feeble, and the market was distinguished by extraordinary dullness. Turnover on some days fell far below half a million shares and reached the lowest level since the summer of 1921. Even the fireworks in wild performers like Auburn and Case fizzled out.

The trading taxes, state and federal, now amounting, in some cases, to nearly $10 a hundred shares, are supposed to have put a damper on the intra-mural turnover with which the Exchange members have been amusing themselves and maintaining some illusion of market activity. But the main influence is undoubtedly the dullness of business itself and the scarcity of stimulating news. The stock market is the pulse of American business, and the blood pressure is a bit low. Some new stimulus is obviously needed to enable the drifting market to find its direction through the summer doldrums, and the Democratic convention outcome, or a miracle at Lausanne, may supply it. The business statistics are not likely to do so for some time.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# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

**June 29, 1932**


# Postponed

ALL through this depression the American people have suffered from exaggeration of the unimportant issues in the situation and ignoring of the important ones. Then, as one after another of the unimportant matters has been disposed of or has settled itself, we have wondered why the expected automatic recovery has not arrived, and have invented a new alibi, demanded some further confidence restorer instead of recognizing and facing the fundamental factors that have frustrated us from the beginning.

This by way of reflection on the reparations conference at Lausanne and what we are being led to look for from it. Of course it is very important to Europe and of some importance to the United States that a definite settlement be secured, so that private creditors of central European countries may know where they stand; but we deceive ourselves if we imagine that this is the last hurdle to be taken before recovery can begin. The inter-governmental debts have been an abnormal and artificial factor in international economic relations ever since the war. The world would have benefited by wiping them out long ago.

But they cannot be considered a primary or dominant cause of the depression or a major obstacle to recovery. It is doubtful whether they could ever have been completely discharged or payment on them maintained as was contemplated for any long period, even if normal economic conditions had continued. The depression and the drastic decline of commodity prices have made their payment obviously impossible and it is now evident to everybody that they will never be paid. Recognition of this fact is already universal, even though not officially admitted, and it can change nothing in the economic situation nor introduce any new factor in the conditions of recovery.

What, then, is all the silk-hat conversation about? Well, debts, especially governmental debts, are a sacred thing in our society. They may be defaulted, by force of circumstances; they may even be forgiven; but they must never be repudiated. These debts cannot be paid but neither can they be cancelled, for in the last analysis they are internal debts between government and citizens, between the bondholders and the taxpayers of the creditor country, in this case mainly the United States. Someone must pay them; they must be shifted to the shoulders of some group able to bear them, or at least unable to escape them; and the amenities of our monetary system require that this be done with suitably solemn ceremonials.

But we should recognize that this is merely a polite compromise with a superior force, a postponement of the essential issue. We may shift debt burdens about, from weaker to stronger debtors, but the problem of paying debts that have become unbearable because of the scarcity and increase of value of the means of payment remains inescapable. The reparations and war debts are only a minor, almost a trivial, part of the world's debt structure. They are among the first to become obviously unpayable by the original debtors, and they can be shifted to others who cannot evade them; but somewhere, sometime, some part of the world's debt burdens is bound to be definitely destroyed by final default, repudiation, or cancellation without ceremony unless the price level can be restored so that creditors are not able to collect more than they loaned and debtors are not condemned to pay more than they borrowed.

Let's not imagine that Lausanne will lighten the unbearable weight of the world's debt or alter its essential problem by transferring the reparations obligations to the American taxpayer. Only the forces that determine the value of gold and the patience of desperate debtors can do that, and on that point the later conference promised at London may prove much more important than Lausanne.


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